

Feature Article:

Virginia 2006 Nonagricultural Employment
Performance and 2007-2008 Forecasts

by William F. Mezger, Chief Economist

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Vol. 38, No. 4

Virginia Economic Indicators

Final U.S. 2006 Estimates and Updated
2007-2008 U.S. Projections, Fourth Quarter
Virginia Data, Virginia Benchmark
Revisions and Forecasts, and
Historical Graphs



Virginia Employment Commission • Economic Information Services Division

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Foreword

For those who are interested in studying the business cycle, the *Virginia Economic Indicators* publication is designed to depict the movement of the key economic indicator series readily

available in Virginia. Most of these series are published elsewhere; but here, they are brought together in both graphic and tabular form, under one cover, and grouped so that they may be analyzed and interpreted easily.

Ten of the fourteen series currently used—the two employment series, the four unemployment series, and the four hours and earnings series—are produced in-house by the Economic Information Services Division of the Virginia Employment Commission and are comparable to similar national series produced by the U.S. Department of Labor. The four business indicators are provided by sources outside of the agency (see the Historical Summary at the back of this publication for data sources) and should prove useful to the student of business cycle development in Virginia.

All series currently published in the *Indicators* have been seasonally adjusted to minimize regular seasonal fluctuations in the data in order to show only activity related to the business cycle. The *Virginia Economic Indicators* is currently the only seasonally adjusted publication of some of the Virginia series.

From time to time, new series will be added to this report as the data becomes available and is collected and tested. Also, series presently provided, if necessary, may be discontinued. Historical graphs are published in the

back of the fourth quarter issue for each year.

This publication provides a narrative analysis update of the U.S. economy, a narrative analysis of recent changes in Virginia, and highlights of both economies. Also, feature articles dealing with some currently important aspects of the Virginia economy are presented. Feature articles are written in-house or by guest authors knowledgeable on particular economics-related subjects.

This publication is normally produced quarterly in April, July, October, and February, but data in the series is provided on a monthly basis. There is a time lag of one quarter before all the data series are available for publication and analysis.

With the 2002 benchmarks in 2003, all states were required to switch to the North American Industry Classification System (NAICS) codes which replace the Standard Industrial Classification (SIC) codes formerly used. The NAICS conversion affects the factory employment series and the four hours-and-earnings series in that, where 2001, 2002, 2003, 2004, 2005, and 2006 data has been revised to NAICS, data prior to this time is still on the old SIC basis with more manufacturing industries. This means a slight break in these series when comparisons are made with former periods prior to 2001.

The main change to manufacturing is that, under NAICS, newspapers and publishing houses are no longer included in manufacturing, and so their employment and earnings are missing from revised 2001, 2002, 2003, 2004, 2005, and 2006 data.

NOTE: In First Quarter 2007, the employment, total unemployment rate, and hours and earnings series all went through the annual benchmarking process. It was especially important to use the revised data in this issue because the fourth quarter *Virginia Economic Indicators* contains the historical series.

All historical series are now updated to the very latest figures.

Significant advances in printing technologies and the competitive bidding process allowed the production of the current format with its enhancements on an annual contract basis at a substantial cost savings over the previous process and format.

Production and distribution of the *Virginia Economic Indicators*, like most Virginia Employment Commission projects, are financed through specifically-earmarked U.S. Department of Labor grants and do not use Virginia state funding sources.

We welcome any comments, suggestions, or questions concerning *Virginia Economic Indicators*.

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Highlights - The U.S. and Virginia Economies

Growth in the U.S. economy was 2.5 percent in Fourth Quarter 2006, slightly faster than the 2.0 percent third quarter rate of gain. The final growth rate average for 2006 ended up at 3.3 percent, which was slightly more than the 3.2 percent growth rate average in 2005. For the immediate future, it looks like two to three more quarters of around 2 percent growth as the U.S. economy experiences its "soft landing" in mid-2007. The "soft landing" is fostered by the downtrend in the housing market and the subsequent subprime mortgage problems, weak business spending for equipment, and higher energy prices. Interest rates are now expected to see little change until inflation is brought more under control. Below 3.0 percent trendline growth is now forecast for both 2007 and 2008.

The Virginia economy was slowing in Fourth Quarter 2006 as the 2007 "soft landing" was approached. In Virginia, the slowdown was coming from housing, layoffs in vehicle- and housing-related manufacturing, and textile mill closings. The fourth quarter saw back-to-back record-high average hourly wages of \$16.92 in October and \$16.93 in November. There were new lows of 284,500 in October and 283,900 in November for factory employment and 9,122,000 in October and 9,053,000 in November for production hours worked.

The annual re-benchmarking of many of the indicator series revealed Virginia had 1.7 percent average statewide job growth in 2006 and a 3.0 percent unemployment rate average last year, the best in six years and the third-lowest jobless rate in the nation. Virginia's ten metropolitan areas had a net 1.9 percent job gain in 2006 with nonmetropolitan rural areas seeing only a 0.1 percent job increase. Three smaller

metropolitan areas—Harrisonburg (+5.3 percent); Winchester, Virginia-West Virginia (+5.2 percent); and Charlottesville (+4.2 percent) had the best percentage job gains, but the large Northern Virginia metropolitan area (up 30,500 jobs) still added the most new jobs. The three-largest Virginia metropolitan areas—The greater Washington D.C. area; Virginia Beach-Norfolk-Newport News, Virginia/North Carolina; and Richmond consistently were among the nation's 10-best large metropolitan areas for unemployment. The Charlottesville and Harrisonburg areas consistently were among the 10 best of all the nation's 367 metropolitan areas for unemployment.

The Consumer Price Index for the United States for All Urban Consumers (CPI-U) registered an annual rise of 3.2 percent in 2006 to average 201.6 (1982-84=100). This was less than the 3.4 percent annual rise recorded in 2005 when the CPI-U averaged 195.3.

According to the Bureau of Labor Statistics of the U.S. Department of Labor, productivity in the nonfarm business sector increased at an annual rate of 1.6 percent in Fourth Quarter 2006, as output increased 2.5 percent, and hours of all persons—employees, proprietors, and unpaid family workers—rose 0.9 percent. Nonfarm business productivity declined 0.5 percent in Third Quarter 2006, as output and hours grew 1.9 percent and 2.4 percent, respectively. Hourly compensation grew 8.2 percent in the fourth quarter; and when the decrease in consumer prices was taken into account, real hourly compensation grew even faster, 10.5 percent. Real hourly compensation had fallen in Second and Third Quarters 2006, following an 11.0 percent gain in the first quarter. Unit labor costs increased at a 6.6 percent annual rate in the fourth

quarter after rising 1.1 percent in the third quarter, as revised. The implicit price deflator for nonfarm business increased 0.5 percent in the fourth quarter and 0.8 percent in the third quarter.

Nonfarm business productivity increased less during 2006 than in any year since 1997, when it grew at the same 1.6 percent rate. The modest productivity improvement reflected output growth of 3.8 percent combined with significant increases in hours worked. The 2.2 percent increase in nonfarm business hours was the largest since a similar increase in 1999. Hourly compensation increased 4.8 percent, and real hourly compensation increased 1.5 percent during 2006 in the nonfarm business sector. Unit labor costs increased 3.2 percent in the nonfarm business sector in 2006, faster than in any year since 2000, when unit labor costs grew 4.2 percent.

According to the Energy Information Administration of the U.S. Department of Energy, coal production in Virginia in 2006 was 31,731,000 short tons mined, which was 13.5 percent greater than the 27,964,000 short tons mined in 2005. Part of the increase was the result of a mine fire early in 2005 that reduced production at a major company.

William F. Mezger
Chief Economist
Virginia Employment Commission

***Slowing
growth evident
in both the nation
and Virginia.***



U.S. Economic Outlook

Forecast Update—Final U.S. 2006 Figures, Plus the Latest Revisions to the U.S. 2007-2008 Forecasts

William F. Mezger
Chief Economist

The Fourth Quarter 2006 proved lackluster as had been expected:

- Real gross domestic product (GDP)—the output of goods and services produced by labor and property located in the United States—increased at an annual rate of 2.5 percent in Fourth Quarter 2006, according to final estimates released March 29, 2007, by the Bureau of Economic Analysis of the U.S. Department of Commerce. In the third quarter, real GDP had increased 2.0 percent.

The Fourth Quarter 2006 proved lackluster as had been expected, but 2006 annual growth was still 3.3 percent.

- The increase in real GDP in the fourth quarter primarily reflected positive contributions from consumer spending (+4.2 percent), exports (+10.6 percent), state and local government spending (+2.7 percent), and federal government spending (+4.6 percent) that were partly offset by negative contributions from residential fixed investment (-19.8 percent) and private inventory investment (-1.2 percent). Imports, which are a subtraction in the calculation of GDP, decreased (-2.6 percent).

- The small acceleration in real GDP growth in the fourth quarter primarily reflected a downturn in imports and

accelerations in consumer spending, exports, and federal government spending that were partly offset by downturns in private inventory investment and equipment/software and a deceleration in nonresidential structures.

The economic projections for the U.S. in 2006 published three months ago in *Economic Assumptions* and Third Quarter *Virginia Economic Indicators* generally turned out to be pretty much on the mark with the final growth rate for GDP remaining at 3.3 percent. Only a few GDP components were very much off:

- Business spending seems to get weaker and weaker, especially spending for computers, communications equipment, and transportation equipment in Fourth Quarter 2006, which pulled annual figures down. Corporate profits in 2006 increased 21.4 percent, compared to a 12.5 percent gain in 2005. However, businesses were not in a mood to spend these profits for new equipment, especially in the fourth quarter, thus business investment for the year was only up 7.2 percent versus the original estimate of 7.5 percent.

- Increased Iraq war efforts upped federal government spending.

- Because of substantial upward revisions in nonagricultural payroll employment at benchmark time in some very large states (California and Texas), U.S. payroll employment in 2006 grew at a 1.9 percent rate rather than the originally estimated 1.4 percent.

- Increased layoffs in the vehicle- and housing-related industries lowered industry production from 4.1 percent growth to 4.0 percent.



The 2006 U.S. growth estimate averages turned out as follows:

	Percent (except as noted)	
	Previous	Final Estimates
Real GDP	3.3	3.3
Consumer Spending (Real)	3.2	3.2
Business Investment (Real)	7.5	7.2
Federal Government Spending (Real)	1.9	2.0
Housing Starts (Million Units)	1.81	1.82
Existing Home Sales (Million Units)	6.51	6.51
Light Vehicle Sales (Million Units)	16.5	16.5
Nonagricultural Employment	1.4	1.9
Unemployment Rate (Levels)	4.6	4.6
Consumer Price Inflation	3.2	3.2
Oil Prices (\$ per Barrel)	66	66
Industrial Production	4.1	4.0
Federal Government Surplus (Billion Dollars)	-248	-248

The 3.3 percent GDP growth rate average in 2006 was slightly faster than the 3.2 percent GDP growth rate average in 2005.

The Immediate Outlook

It now looks like two to three more quarters of only around 2 percent GDP growth as the U.S. economy experiences its “touch and go soft landing” in mid-2007. After mid-year, the pace should start to pick-up. As has been noted before in these pages, slower growth in the “seven” year of the decade has happened in four of the last five decades—1957, 1967, 1987, and 1997. The economy seems to want to take a pause after fairly strong growth at mid-decade. In these four instances, the U.S. economy went on to see some of the best growth numbers of the respective decades in the “eight” and “nine” years. That may happen this time, too.

◆ Drags on economic growth in the first half of 2007 are:

- The downturn in the housing market has been the biggest soft spot and has probably not yet hit bottom due to problems

in the subprime mortgage market and the stricter lending standards that will likely follow. Housing will cost GDP over 1.0 percentage point growth in the first half of 2007.

- Business spending for equipment is expected to continue fairly weak as business profits decrease in 2007.
- Fuel prices have escalated again, thanks to a very cold February 2007, the British-Iran hostage situation, limited refinery capacity, and the start of the spring-summer driving season. Oil prices should average \$65 per barrel for Second Quarter 2007.

◆ On the plus side:

- Consumer spending is expected to average about 3 percent gain with disposable income also

up 3 percent and fairly good employment and earnings numbers.

- Exports should remain strong.
- Commercial construction with many long-term projects underway is taking up some of the slack in residential building.
- Recent profits and wage growth have reduced the federal budget deficit, making higher tax rates less eminent.

With inflation currently well above (3 to 4 percent) the Federal Reserve's comfort zone of 1 to 2 percent, the Federal Reserve has no need to change the Fed Funds rate, or, in turn, interest rates, anytime soon. The Federal Reserve may possibly lower the Fed Funds rate from the current 5.25 percent to 5.00 percent in the last half of 2007, if inflation significantly improves.

As a result of the latest information on 2007's "soft landing" in the economy as expanded on above, the 2007 and 2008 Forecasts have been updated as follows:

Updated 2007 and 2008 Forecasts

	Percent (except as noted) Averages	
	2007	2008
Real GDP	2.1	2.8
Consumer Spending (Real)	3.0	2.6
Business Investment (Real)	3.0	4.2
Federal Government Spending (Real)	2.6	1.8
Housing Starts (Million Units)	1.41	1.49
Existing Home Sales (Million Units)	6.08	5.73
Light Vehicle Sales (Million Units)	16.4	16.6
Nonagricultural Employment	1.2	1.0
Unemployment Rate (Levels)	4.8	4.9
Consumer Price Inflation	2.1	1.9
Oil Prices (\$ per Barrel)	61	61
Industrial Production	1.8	2.1
Federal Government Surplus (Billion Dollars)	-220	-244

The baseline forecast probability is 55 percent.

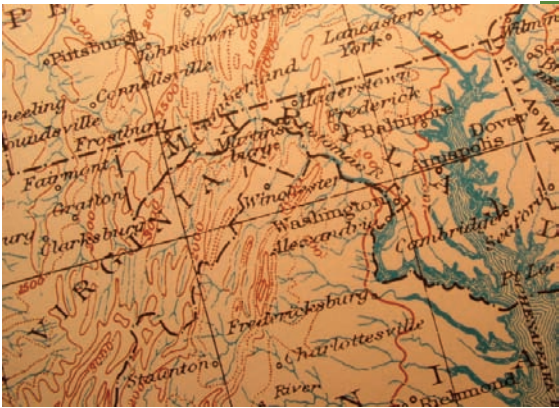
The "soft landing" in 2007 and the slightly deeper housing slide lower projected 2007 and 2008 growth rates.

Forecast Alternatives

In the **optimistic scenario**, productivity growth and employment gains are higher, and inflation and budget deficits are lower than in the baseline forecast. The housing market bounces back more quickly as a result of strong job growth, lower interest rates, and increased consumer confidence. The export and energy markets also improve. GDP growth is well above the 3 percent long-term trendline by 2008. (Probability is 20 percent.)

In the **pessimistic scenario**, there is a "harder landing" with inflation gathering momentum and the Federal Reserve hiking the Fed Funds rate to over 7.00 percent by 2008. This deepens and prolongs the housing downturn, causing consumer confidence and hiring to falter. The economy does not quite sink into recession, but GDP growth is a marginal 1.0 percent for both 2007 and 2008. (Probability is 25 percent.)

April 12, 2007



Virginia Indicators

Fourth Quarter 2006 Data

William F. Mezger

Chief Economist

Like in the nation, the Virginia economy was slowing in the Fourth Quarter 2006 as it approached the “speed bump” that likely will be the “touch-and-go soft landing” in mid-2007, before an expected acceleration in the last half of 2007. The slower growth was coming from housing slumping from its 2005 peak, vehicle- and housing-related factory furloughs, and the continued erosion of the nondurable goods manufacturing base caused by textile mill closings. As evidenced by December taxable retail sales of only \$8,427 million (only 1.9 percent higher than December 2005), Virginia had another mediocre holiday sales season in 2006.

The annual re-benchmarking of many of the indicators series revealed that Virginia had 1.7 percent average 2006 statewide job growth and a 3.0 percent unemployment rate average last year, the best in six years. According to the Bureau of Labor Statistics of the U.S. Department of Labor, Virginia, with a 3.0 percent unemployment rate average, had the third-lowest jobless rate average in the U.S. in 2006. Hawaii had the lowest unemployment rate average at 2.4 percent. Utah was the second-lowest with a 2.9 percent jobless rate average. This combination of good job growth and low unemployment gives Virginia one of the best job markets in the world. (For more details on the 2006 Virginia benchmark revisions, data on the metropolitan areas, and updated Virginia state and area projections for 2007 and 2008, please be sure to see this issue’s feature article, “Virginia 2006 Nonagricultural

Employment Performance and 2007-2008 Forecasts,” starting on page 16.

The fourteen series used to measure the Virginia economy, that are the only series on Virginia for which data is available, performed as follows in Fourth Quarter 2006:

- October had four series up, three unchanged, and seven down. October was the weakest month, reflecting a number of temporary vehicle- and housing-related furloughs.
- November had six series up, four unchanged, and four down.
- December had seven series up, two unchanged, and five down.

The Fourth Quarter 2006 saw back-to-back positive hourly wage records set:

- October’s \$16.92 was a new high average hourly wage as was November’s \$16.93.

Unfortunately, there were also negative records set in this fourth quarter:

- Manufacturing employment was at 27-year lows of 284,500 in October and 283,900 in November.

- Total factory production hours worked dipped to 9,122,000 in October and 9,053,000 in November, as low as they have been in the last 27 years.

As we go to press, it looks like First Quarter 2007 will be much like Fourth Quarter 2006 as the “soft economic landing” is upon us. January saw very mild weather, and the retail sector seemed to benefit from the redemption of the many gift cards given out during the 2006 holiday season. February 2007 saw the coldest temperatures in 30 years, but winter storms were not an employment disrupting factor, except in the northwest corner of the state. March was generally cool with a few very hot days interspersed, but seasonal construction workers appear to have had a normal, orderly spring return to work. Construction employment levels in 2007 will probably be below 2006’s monthly record highs because of the

Like in the nation, the Virginia economy was slowing in Fourth Quarter 2006 as it approached 2007’s soft landing.



housing slump and the completion of all the Jamestown celebration preparation work. The Jamestown activities themselves are starting to rev up. The Virginia Employment Commission’s unemployment claims volume this spring seems to be running 6 to 8 percent higher than in spring 2006 because of on-going vehicle- and housing-related furloughs. Gasoline prices rose because of the cold February

weather, the British-Iran hostage situation, limited refinery capacity, and the start of the peak spring-summer driving season.

The six-month moving average of rising indicators on page 15 serves to illustrate the quarter's performance. The moving average enhances analysis because it smoothes out much of the irregularity present in many of the individual series.

In First Quarter 2007, the employment, total unemployment rate, and hours-and-earnings series all went through the annual benchmarking process. We have incorporated these revisions to the series in this issue. It was especially important to use the new numbers in this issue because the fourth quarter *Virginia Economic Indicators* contains the historical series. Also, as is usually done with the fourth quarter issue, the analysis of the economies of the various Virginia areas appears in the feature article on the annual benchmarking revisions, starting on page 16 of this issue.

Please note: This is the fifth year the employment series are based on the North American Industry Classification System (NAICS) codes, which replaced the Standard Industrial Classification (SIC) codes formerly used. This 2002 switch in industry coding was required of all states by the U.S. Bureau of Labor Statistics. The NAICS conversion affects the factory employment series and the four hours-and-earnings series in that where 2001, 2002, 2003, 2004, 2005, and 2006 have been revised to NAICS, data prior to

this time are still on the old SIC basis with more manufacturing industries. This means a slight break in these series when comparisons are made with periods prior to 2001. The main change to manufacturing is that, under NAICS, newspapers and publishing houses are no longer included in manufacturing, and so their employment and earnings are not included in revised 2001, 2002, 2003, 2004, 2005, and 2006 data.

Construction and Vehicle- and Housing-Related Manufacturing Layoffs were Putting a Damper on Some Series in the Fourth Quarter.

The jobs expansion seemed to be losing some steam in the Fourth Quarter 2006. Although nonagricultural employment on a seasonally adjusted basis registered no change on our pages

the fourth quarter could do. Factory employment registered no change on our tables for October and November (less than the 1,400, plus or minus 0.5 percent, necessary to register change on the tables) and then increased in December with last-minute orders for holiday merchandise and a few vehicle industry worker recalls. Factory employment fell 800 in October and 600 in November to all-time lows for the last 27 years of 284,500 and 283,900, respectively. Factory employment then expanded 1,700 in December to 285,600.

The four unemployment-related series were largely negative in October, but shifted to mostly positive for November and December. The total unemployment rate fell from 3.1 percent seasonally adjusted in September to 3.0 percent in October, was unchanged in November, and then was down again

to 2.9 percent in December, as low as it has been in the last six years. Average weekly initial claims for unemployment benefits rose from 4,937 in September to 5,292 in October and 5,832 in November because of more vehicle- and housing-related furloughs. Fewer new furloughs in December lowered new jobless claims to 4,696. The

insured unemployment rate (which is the ratio of workers drawing benefits to the number eligible to draw) hovered just below 1.00 percent—moving from 0.93 percent in September to 0.99 percent in October, then receding to 0.94 percent in November and 0.93 percent in December, the same as September. Final payments to claimants exhausting benefits (which to some extent reflect



14 and 15 tables for all three months (less than the 19,000, plus or minus 0.5 percent, necessary to register change on the tables), monthly job growth slowed from 13,100 in October to 1,700 in November and was negative by 200 in December. Much of this slowing was coming from construction. No month this quarter reached June 2006's all-time high of 3,736,400 nonfarm jobs with 3,735,800 in November being the best



layoffs six months previous) were up from 2,949 in September to 3,266 in October, then fell to 2,861 in November, but climbed back to 2,917 for December.

The four hours and earnings indicators were mostly negative in October and November, but returned to largely positive in December. The length of the production workweek was off from 41.4 hours in September to 41.0 hours in October and 40.7 hours in November, but recovered to 41.2 hours in December. Total production hours worked, reflecting vehicle- and housing-related layoffs and textile mill closings, declined from 9,253,000 in September to 27-year lows of 9,122,000 in October and 9,053,000 in November. Holiday merchandise production pushed the number of production hours back up to 9,213,000 in December. Average hourly production earnings rose from \$16.75 in

September to a record \$16.92 in October and then another record of \$16.93 in November, but fell back to \$16.85 for December. November's \$16.93, although registering no change from October on our tables (only one penny higher), was still an all-time record high. Average weekly production earnings were down from September's \$698.07 to \$693.18 in October and \$689.45 in November, and then the slightly longer workweek in December boosted them to \$694.51.

The four, often volatile, business-related series were neutral in October, largely positive in November, and all negative in December. Single family housing permits climbed from 2,650 in September to 2,747 in October and 2,955 in November, but fell to 2,402 in December, an 11-year low. New business incorporations were unchanged from September's 1,547 in October, rose to

1,601 in November, but then slumped to 1,375 in December. New light vehicle registrations were up from 42,737 in September to 45,588 in October, were almost as good 45,362 in November, and then slowed to 44,059 in December. Taxable retail sales at \$8,469 million were off from September's \$8,561 million, then rose to \$8,741 million in November before trailing off to \$8,427 million in December. The Thanksgiving holiday coming in the third week of November in 2006 meant that sales from the big sales weekend after Thanksgiving got recorded in November rather than in December. Taxable retail sales in Virginia this December were only 1.9 percent higher than in December 2005. Holiday sales seasons in both years were fairly lackluster.

Annual benchmark revisions reveal that Virginia in 2006, with 1.7 percent job growth and a 3.0 percent unemployment rate, has one of the best job markets in the world.

Employment Indicators

January 2005 to December 2006

	Nonagricultural Wage and Salary Employment* (Thousands)		Manufacturing Employment* (Thousands)		Total Unemployment Rate* (Percent)	
2005	Unadjusted	Adjusted	Unadjusted	Adjusted	Unadjusted	Adjusted
January	3,573.4	3,630.4	297.1	298.4	3.8	3.4
February	3,588.8	3,639.8	296.9	298.4	3.8	3.4
March	3,614.4	3,639.9	296.8	297.9	3.6	3.4
April	3,651.0	3,657.2	296.4	297.3	3.4	3.6
May	3,671.6	3,655.5	296.3	296.8	3.5	3.6
June	3,701.3	3,660.7	297.0	296.1	3.8	3.6
July	3,667.3	3,671.0	294.4	296.1	3.5	3.5
August	3,668.2	3,676.3	296.2	295.4	3.5	3.6
September	3,698.5	3,686.3	295.5	294.4	3.5	3.6
October	3,695.0	3,676.3	294.5	293.9	3.1	3.4
November	3,717.0	3,686.8	294.4	293.2	3.2	3.4
December	3,725.8	3,691.1	294.6	292.8	3.0	3.3
2006						
January	3,654.1	3,712.0	291.3	292.4	3.2	3.0
February	3,664.7	3,716.4	290.3	291.6	3.2	2.9
March	3,700.7	3,726.8	289.4	290.4	3.0	2.9
April	3,714.0	3,720.0	290.5	291.2	2.8	3.0
May	3,743.5	3,727.1	290.5	290.9	2.8	2.9
June	3,777.5	3,736.4	291.2	290.3	3.2	3.0
July	3,723.7	3,727.1	289.3	290.9	3.2	3.0
August	3,719.0	3,728.3	289.3	288.6	3.2	3.1
September	3,732.2	3,721.0	286.2	285.3	3.1	3.1
October	3,752.0	3,734.1	284.9	284.5	2.7	3.0
November	3,764.6	3,735.8	284.8	283.9	2.8	3.0
December	3,768.5	3,735.6	287.2	285.6	2.7	2.9

* These series have been adjusted to First Quarter 2006 benchmarks.

Unemployment Insurance Indicators

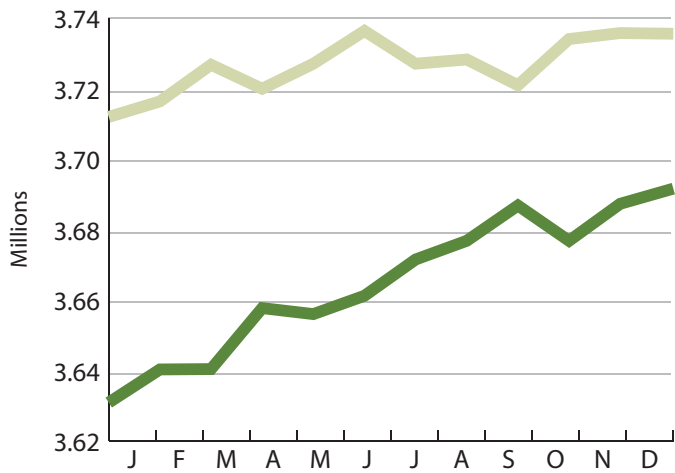
January 2005 to December 2006

	Average Weekly Initial Claims		Insured Unemployment Rate (Percent)		Unemployment Insurance Final Payments	
2005	Unadjusted	Adjusted	Unadjusted	Adjusted	Unadjusted	Adjusted
January	7,736	5,314	1.25	0.96	3,350	3,343
February	5,031	5,215	1.13	0.97	3,172	3,375
March	4,853	5,457	1.02	0.96	4,283	3,761
April	4,243	5,224	0.88	0.92	3,588	3,221
May	4,235	5,105	0.94	0.99	3,258	3,248
June	4,668	5,060	0.87	0.93	3,936	3,574
July	5,834	5,193	0.93	0.94	3,101	2,978
August	3,942	4,752	0.85	0.95	3,620	3,310
September	4,147	4,805	0.76	0.89	2,670	3,144
October	4,054	4,562	0.82	0.92	2,493	2,789
November	4,541	4,636	0.84	0.88	2,953	3,209
December	6,453	4,501	0.91	0.87	2,659	2,936
2006						
January	7,387	5,085	1.16	0.89	3,288	3,299
February	4,521	4,679	1.00	0.86	2,873	3,041
March	4,310	4,819	0.87	0.82	3,099	2,672
April	3,658	4,510	0.83	0.88	3,159	2,886
May	4,089	4,915	0.83	0.87	3,497	3,529
June	4,234	4,575	0.78	0.84	2,905	2,612
July	5,576	4,960	0.95	0.96	2,842	2,776
August	4,331	5,180	0.81	0.90	3,409	3,068
September	4,237	4,937	0.79	0.93	2,500	2,949
October	4,713	5,292	0.89	0.99	2,893	3,266
November	5,724	5,832	0.90	0.94	2,660	2,861
December	6,647	4,696	0.96	0.93	2,618	2,917

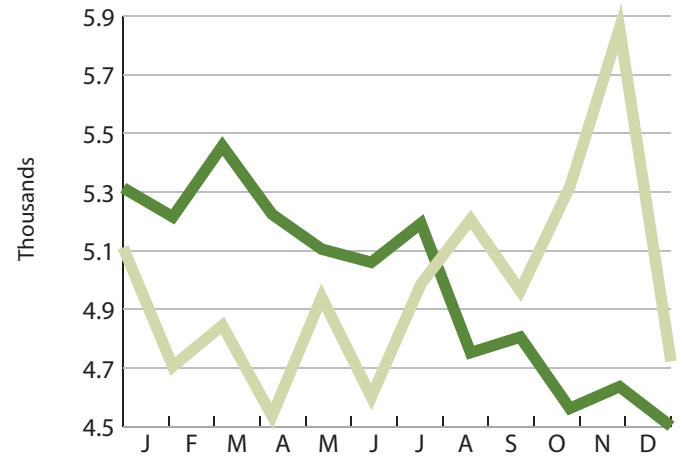
Employment Indicators

January 2005 to December 2006

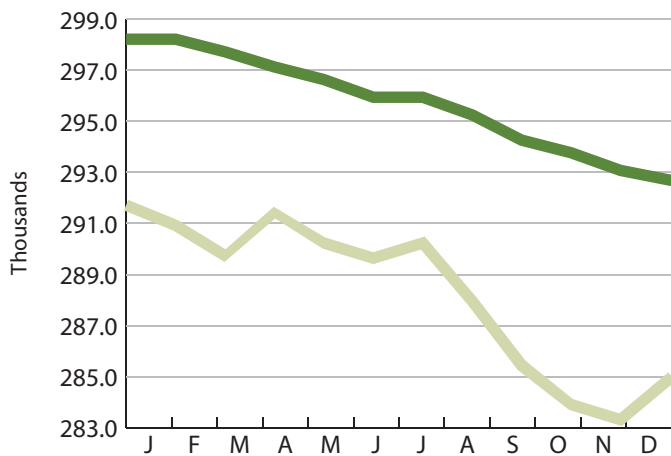
Nonagricultural Wage and Salary Employment



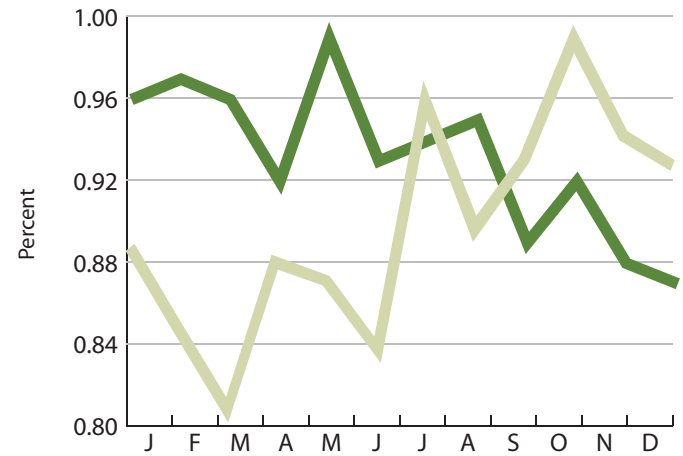
Average Weekly Initial Claims



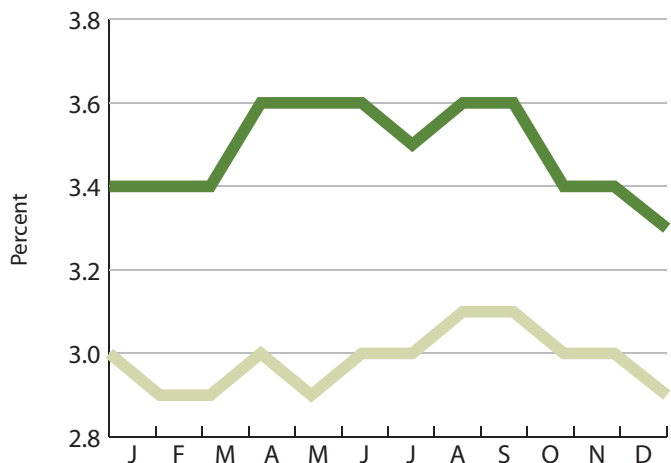
Manufacturing Employment



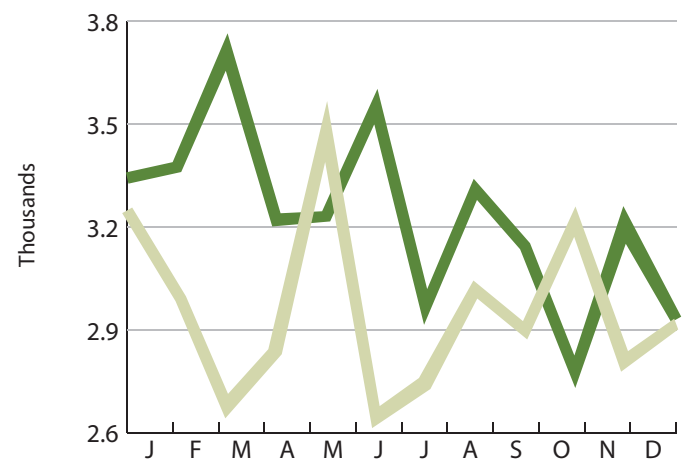
Insured Unemployment Rate



Total Unemployment Rate



Unemployment Insurance Final Payments



2005 2006

Manufacturing Production Worker Indicators January 2005 to December 2006

	Average Weekly Hours*		Average Hourly Earnings* (Dollars)		Deflated Average Hourly Earnings* (1982-84 Dollars)	
	Unadjusted	Adjusted	Unadjusted	Adjusted	Unadjusted	Adjusted
2005						
January	41.6	41.5	16.27	16.26	8.73	8.68
February	41.7	41.8	16.29	16.25	8.70	8.64
March	40.8	41.1	16.19	16.24	8.58	8.64
April	41.5	42.0	16.40	16.34	8.62	8.62
May	41.3	41.0	16.29	16.33	8.57	8.61
June	41.3	40.9	16.35	16.31	8.60	8.60
July	40.3	41.1	16.48	16.56	8.63	8.69
August	40.4	40.8	16.42	16.52	8.55	8.61
September	42.3	42.4	16.52	16.52	8.47	8.50
October	41.8	41.5	16.45	16.46	8.43	8.45
November	41.3	41.2	16.44	16.46	8.50	8.49
December	42.1	41.3	16.64	16.49	8.64	8.51
2006						
January	41.7	41.5	16.51	16.51	8.51	8.46
February	40.9	41.0	16.71	16.66	8.60	8.54
March	40.9	41.2	16.75	16.81	8.58	8.63
April	40.6	41.1	16.70	16.63	8.47	8.46
May	41.5	41.2	16.63	16.67	8.39	8.43
June	41.8	41.4	16.81	16.76	8.46	8.46
July	41.4	42.2	16.62	16.70	8.34	8.40
August	40.8	41.3	16.70	16.80	8.37	8.44
September	41.4	41.4	16.74	16.75	8.44	8.47
October	41.3	41.0	16.91	16.92	8.58	8.61
November	40.8	40.7	16.89	16.93	8.58	8.58
December	42.1	41.2	16.99	16.85	8.62	8.49

Manufacturing Production Worker Indicators (continued) January 2005 to December 2006

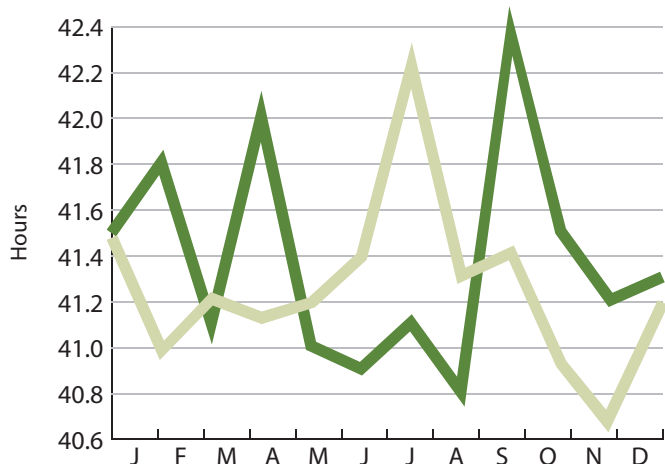
	Total Production Hours* (Thousands)		Average Weekly Earnings* (Dollars)		Deflated Average Weekly Earnings* (1982-84 Dollars)	
	Unadjusted	Adjusted	Unadjusted	Adjusted	Unadjusted	Adjusted
2005						
January	9,518	9,513	676.83	673.33	363.30	359.81
February	9,541	9,600	679.29	683.94	362.67	363.99
March	9,343	9,441	660.55	665.41	350.24	351.72
April	9,466	9,581	680.60	685.33	357.83	360.21
May	9,433	9,380	672.78	668.57	354.09	353.04
June	9,454	9,343	675.26	666.07	355.21	351.59
July	9,128	9,388	664.14	676.73	347.72	354.89
August	9,215	9,277	663.37	675.53	345.33	352.52
September	9,644	9,625	698.80	703.23	358.36	362.05
October	9,510	9,428	687.61	683.58	352.26	350.96
November	9,396	9,339	678.97	677.89	351.07	350.58
December	9,586	9,336	700.54	680.00	363.92	351.41
2006						
January	9,412	9,396	688.47	684.43	354.88	351.19
February	9,211	9,260	683.44	687.36	351.93	352.81
March	9,194	9,295	685.08	690.60	350.78	352.44
April	9,172	9,281	678.02	682.46	343.82	345.73
May	9,375	9,312	690.15	685.76	348.21	347.17
June	9,464	9,351	702.66	692.89	353.81	350.10
July	9,319	9,587	688.07	701.04	345.42	352.54
August	9,233	9,313	681.36	694.98	341.36	349.15
September	9,269	9,253	693.04	698.07	349.31	353.27
October	9,210	9,122	698.38	693.18	354.51	352.71
November	9,086	9,053	689.11	689.45	350.16	350.30
December	9,464	9,213	715.28	694.51	362.72	350.38

* These series have been adjusted to First Quarter 2006 benchmarks.

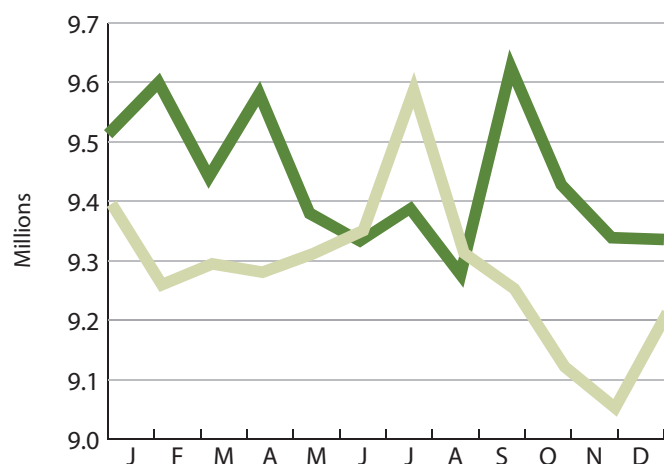
Manufacturing Production Worker Indicators

January 2005 to December 2006

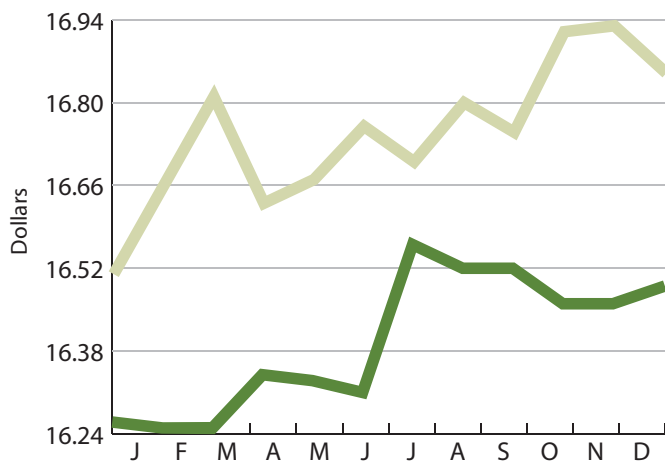
Average Weekly Hours



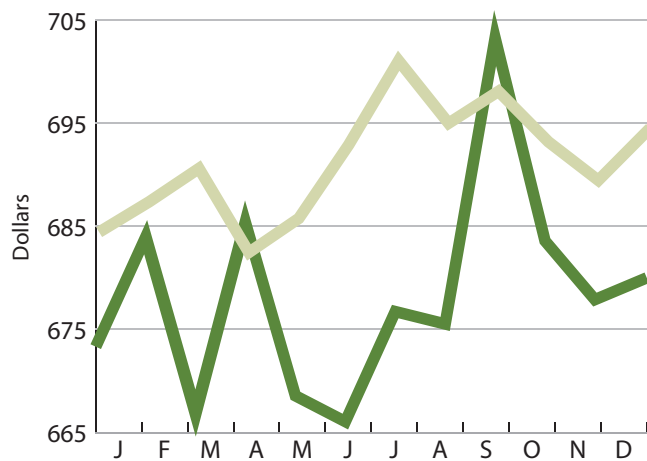
Total Production Hours



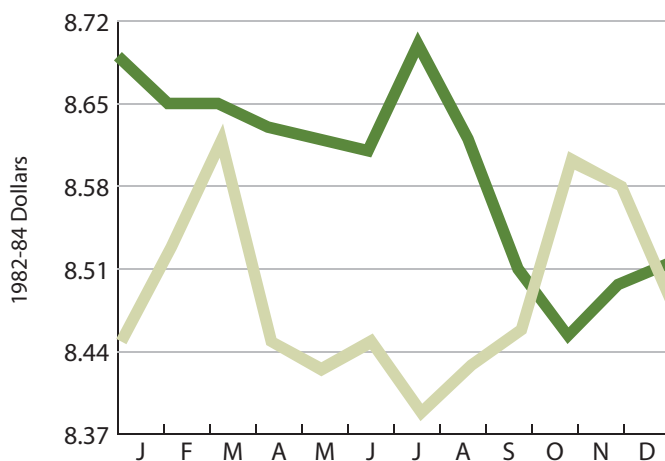
Average Hourly Earnings



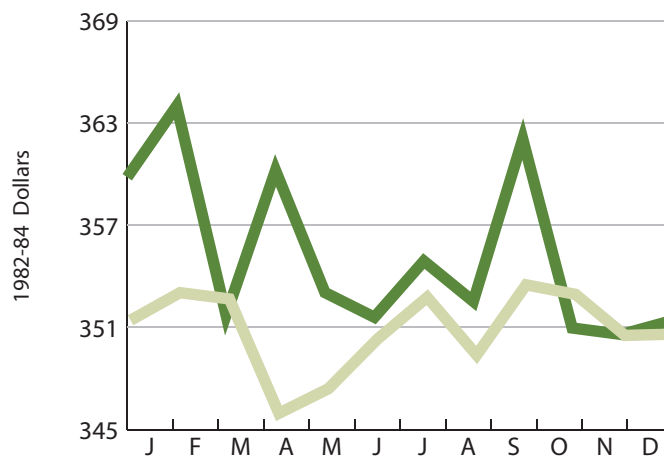
Average Weekly Earnings



Deflated Average Hourly Earnings



Deflated Average Weekly Earnings



2005 2006

Business Indicators

January 2005 to December 2006

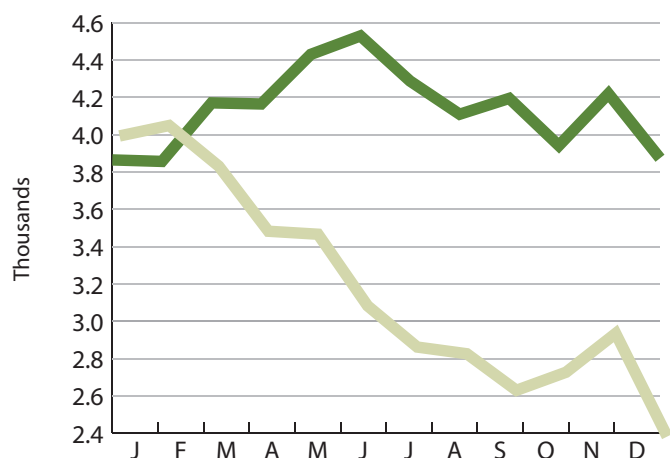
	Single Family Housing Permits		New Business Incorporations		New Vehicle Registrations	
2005	Unadjusted	Adjusted	Unadjusted	Adjusted	Unadjusted	Adjusted
January	3,273	3,865	1,416	1,658	41,683	46,449
February	3,371	3,857	2,023	1,857	35,224	45,176
March	4,610	4,171	2,309	1,857	49,342	46,015
April	4,702	4,165	1,886	1,704	50,892	47,661
May	5,030	4,431	1,831	1,715	51,113	45,833
June	5,300	4,530	1,718	1,637	51,400	44,591
July	4,456	4,288	1,612	1,644	50,320	46,644
August	4,495	4,110	1,852	1,996	61,923	54,171
September	3,986	4,195	1,648	1,697	50,986	47,495
October	3,890	3,942	1,516	1,641	45,636	45,563
November	3,472	4,220	1,329	1,616	32,194	39,599
December	3,282	3,874	1,653	1,722	33,105	41,145
2006						
January	3,368	4,014	1,715	2,021	42,165	47,133
February	3,546	4,070	1,762	1,614	36,957	47,266
March	4,287	3,852	2,185	1,739	48,908	45,411
April	3,950	3,503	1,452	1,308	46,085	43,346
May	3,975	3,487	1,891	1,772	52,423	46,932
June	3,663	3,103	1,807	1,728	51,645	44,575
July	2,980	2,882	1,607	1,641	46,487	43,470
August	3,102	2,846	1,555	1,679	53,772	47,036
September	2,511	2,650	1,506	1,547	45,852	42,737
October	2,694	2,747	1,410	1,547	45,579	45,588
November	2,444	2,955	1,320	1,601	37,088	45,362
December	2,033	2,402	1,325	1,375	35,388	44,059

Business Indicators (Continued)

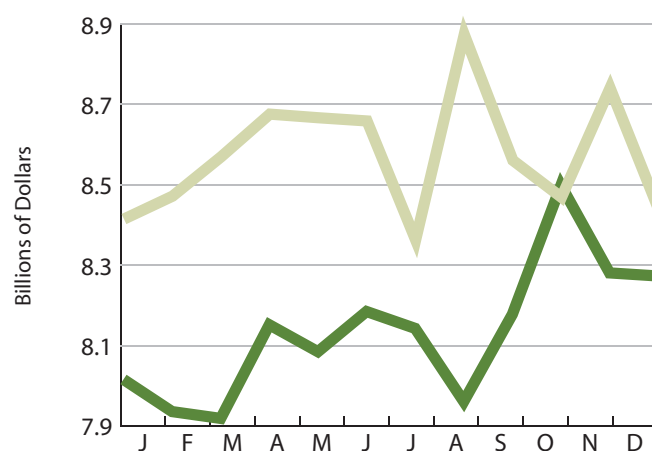
January 2005 to December 2006

	Taxable Retail Sales (Millions of Dollars)		Deflated Taxable Retail Sales (Millions of 1982-84 Dollars)	
2005	Unadjusted	Adjusted	Unadjusted	Adjusted
January	6,834	8,016	3,668	4,281
February	6,950	7,936	3,711	4,223
March	8,001	7,919	4,242	4,199
April	8,050	8,152	4,232	4,299
May	8,060	8,085	4,242	4,268
June	8,652	8,185	4,551	4,316
July	8,095	8,143	4,238	4,270
August	7,805	7,961	4,063	4,155
September	8,240	8,178	4,226	4,211
October	8,541	8,499	4,376	4,363
November	8,072	8,281	4,174	4,270
December	10,392	8,273	5,398	4,268
2006				
January	7,182	8,415	3,702	4,314
February	7,395	8,472	3,808	4,347
March	8,677	8,570	4,443	4,388
April	8,586	8,676	4,354	4,413
May	8,638	8,667	4,358	4,386
June	9,185	8,659	4,625	4,371
July	8,284	8,363	4,159	4,206
August	8,682	8,874	4,350	4,458
September	8,621	8,561	4,345	4,334
October	8,495	8,469	4,312	4,308
November	8,557	8,741	4,348	4,429
December	10,554	8,427	5,352	4,243

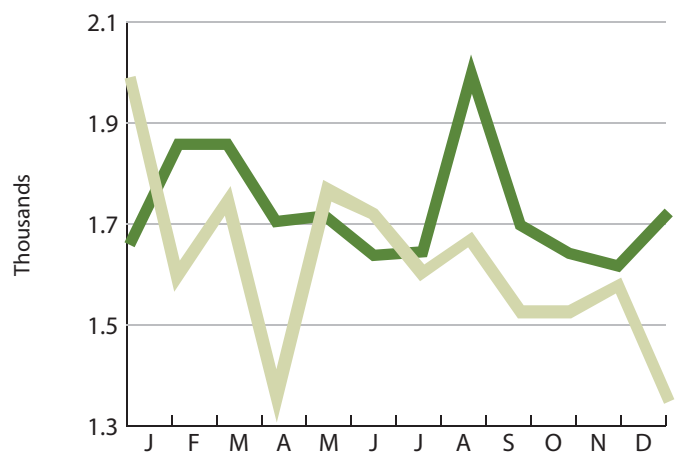
Single Family Housing Permits



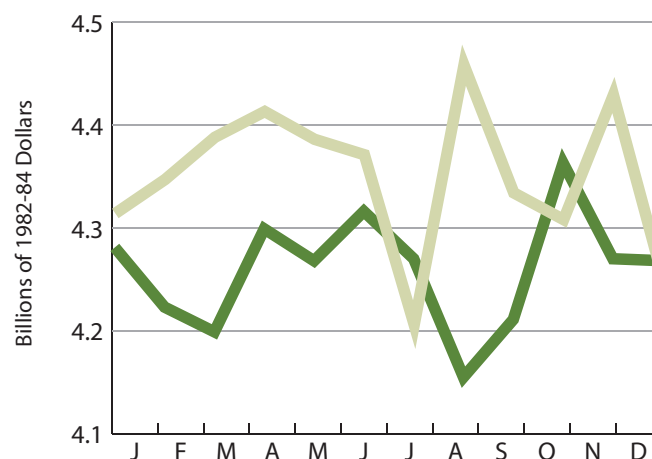
Taxable Retail Sales



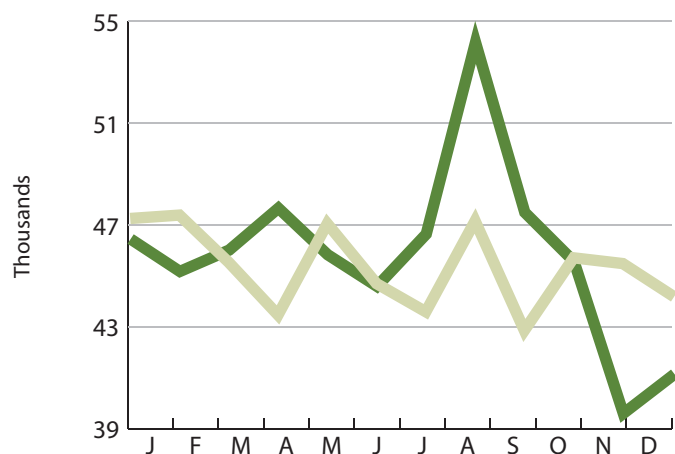
New Business Incorporations



Deflated Taxable Retail Sales



New Vehicle Registrations



2005 2006

DATA SUMMARY

October 2006 (SEASONALLY ADJUSTED DATA)

	October 2006	September 2006	October 2005	Percent & Direction of Change**	
				Sept. '06 - Oct. '06	Oct. '05 - Oct. '06
EMPLOYMENT					
*Nonag Wage & Salary Emp (000)	3,734.1	3,721.0	3,676.3	0.4 (0)	1.6 (+)
*Manufacturing Employment (000)	284.5	285.3	293.9	-0.3 (0)	-3.2 (-)
*Total Unemployment Rate (%)	3.0	3.1	3.4	(+)	(+)
UNEMPLOYMENT INSURANCE					
Average Weekly Initial Claims	5,292	4,937	4,562	7.2 (-)	16.0 (-)
Insured Unemployment Rate (%)	0.99	0.93	0.92	(-)	(-)
Final Payments	3,266	2,949	2,789	10.7 (-)	17.1 (-)
MANUFACTURING PRODUCTION WORKERS					
*Average Weekly Hours	41.0	41.4	41.5	-1.1 (-)	-1.3 (-)
*Total Production Hours (000)	9,122	9,253	9,428	-1.4 (-)	-3.2 (-)
*Average Hourly Earnings (\$)	16.92	16.75	16.46	1.1 (+)	2.8 (+)
*Average Weekly Earnings (\$)	693.18	698.07	683.58	-0.7 (-)	1.4 (+)
BUSINESS					
Single Family Housing Permits	2,747	2,650	3,942	3.7 (+)	-30.3 (-)
New Business Incorporations	1,547	1,547	1,641	0.0 (0)	-5.7 (-)
New Vehicle Registrations	45,588	42,737	45,563	6.7 (+)	0.1 (0)
Taxable Retail Sales (\$M)	8,469	8,561	8,499	-1.1 (-)	-0.4 (0)

DATA SUMMARY

November 2006 (SEASONALLY ADJUSTED DATA)

	November 2006	October 2006	November 2005	Percent & Direction of Change**	
				Oct. '06 - Nov. '06	Nov. '05 - Nov. '06
EMPLOYMENT					
*Nonag Wage & Salary Emp (000)	3,735.8	3,734.1	3,686.8	0.0 (0)	1.3 (+)
*Manufacturing Employment (000)	283.9	284.5	293.2	-0.2 (0)	-3.2 (-)
*Total Unemployment Rate (%)	3.0	3.0	3.4	(+)	(+)
UNEMPLOYMENT INSURANCE					
Average Weekly Initial Claims	5,832	5,292	4,636	10.2 (-)	25.8 (-)
Insured Unemployment Rate (%)	0.94	0.99	0.88	(+)	(-)
Final Payments	2,861	3,266	3,209	-12.4 (+)	-10.9 (+)
MANUFACTURING PRODUCTION WORKERS					
*Average Weekly Hours	40.7	41.0	41.2	-0.6 (-)	-1.1 (-)
*Total Production Hours (000)	9,053	9,122	9,339	-0.8 (-)	-3.1 (-)
*Average Hourly Earnings (\$)	16.93	16.92	16.46	0.0 (0)	2.8 (+)
*Average Weekly Earnings (\$)	689.45	693.18	677.89	-0.5 (-)	1.7 (+)
BUSINESS					
Single Family Housing Permits	2,955	2,747	4,220	7.5 (+)	-30.0 (-)
New Business Incorporations	1,601	1,547	1,616	3.5 (+)	-1.0 (-)
New Vehicle Registrations	45,362	45,588	39,599	-0.5 (0)	14.6 (+)
Taxable Retail Sales (\$M)	8,741	8,469	8,281	3.2 (+)	5.6 (+)

DATA SUMMARY

December 2006 (SEASONALLY ADJUSTED DATA)

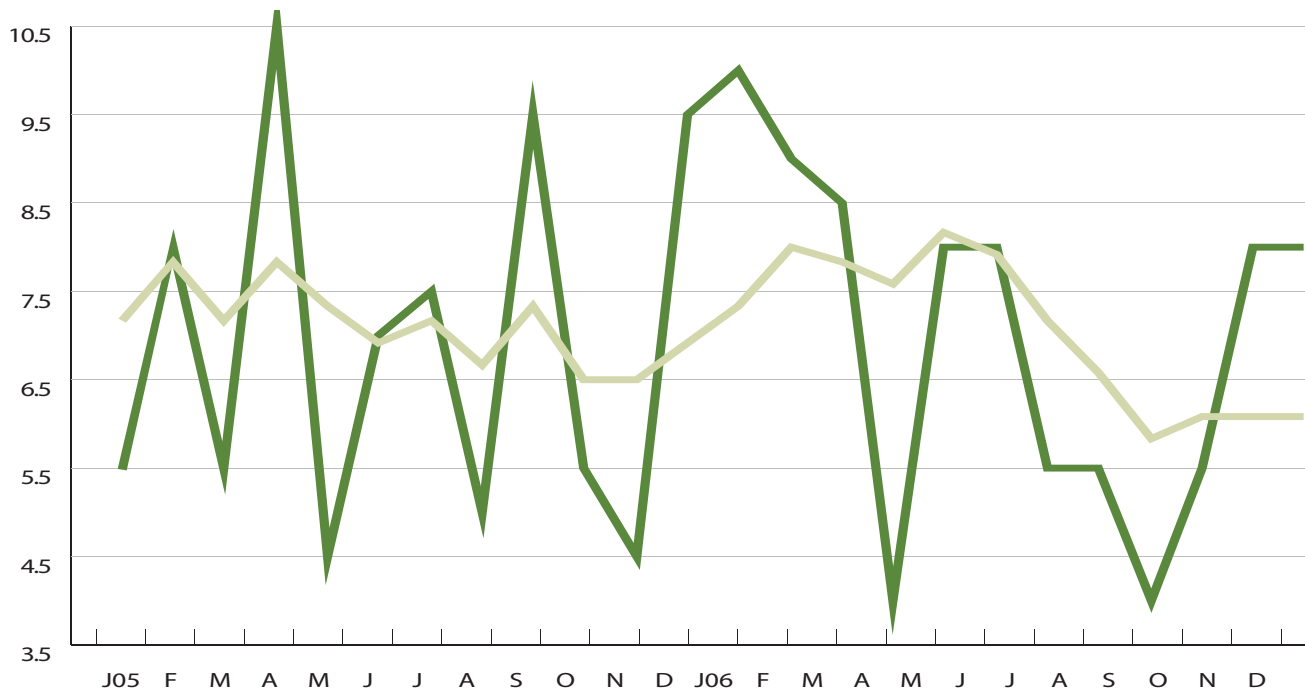
				Percent & Direction of Change**	
	December 2006	November 2006	December 2005	Nov. '06 - Dec. '06	Dec. '05 - Dec. '06
EMPLOYMENT					
*Nonag Wage & Salary Emp (000)	3,735.6	3,735.8	3,691.1	0.0 (0)	1.2 (+)
*Manufacturing Employment (000)	285.6	283.9	292.8	0.6 (+)	-2.5 (-)
*Total Unemployment Rate (%)	2.9	3.0	3.3	(+)	(+)
UNEMPLOYMENT INSURANCE					
Average Weekly Initial Claims	4,696	5,832	4,501	-19.5 (+)	4.3 (-)
Insured Unemployment Rate (%)	0.93	0.94	0.87	(+)	(-)
Final Payments	2,917	2,861	2,936	2.0 (-)	-0.6 (+)
MANUFACTURING PRODUCTION WORKERS					
*Average Weekly Hours	41.2	40.7	41.3	1.2 (+)	-0.1 (0)
*Total Production Hours (000)	9,213	9,053	9,336	1.8 (+)	-1.3 (-)
*Average Hourly Earnings (\$)	16.85	16.93	16.49	-0.4 (0)	2.2 (+)
*Average Weekly Earnings (\$)	694.51	689.45	680.00	0.7 (+)	2.1 (+)
BUSINESS					
Single Family Housing Permits	2,402	2,955	3,874	-18.7 (-)	-38.0 (-)
New Business Incorporations	1,375	1,601	1,722	-14.1 (-)	-20.1 (-)
New Vehicle Registrations	44,059	45,362	41,145	-2.9 (-)	7.1 (+)
Taxable Retail Sales (\$M)	8,427	8,741	8,273	-3.6 (-)	1.9 (+)

* Revised to 1st Quarter 2006 benchmarks.

** (+) Favorable, (-) Not Favorable, (0) Change between +/- 0.5%.


NUMBER OF SERIES MOVING FAVORABLY

Plus One-Half the Number Unchanged



Monthly Total

6-Month Moving Average



Virginia 2006 Nonagricultural Employment Performance and 2007-2008 Forecasts

William F. Mezger
Chief Economist

Nonagricultural wage and salary employment, one of the fourteen series used regularly in this publication to measure the Virginia Economy, is annually revised to new benchmarks (unemployment compensation employer tax records) in the first quarter of the calendar year. The table on page 26 shows a comparison of revised annual average 2006 and 2005 nonfarm employment on the new benchmark basis.

The annual benchmark revisions to the unemployment insurance tax records reveal Virginia added an average 61,800 new jobs in 2006 for a 1.7 percent job growth rate. The 2006 job creation level was almost identical to the projected 62,600, or 1.7 percent, level published in the January 2007 Virginia Employment Commission's (VEC's) *Economic Assumptions for the United States and Virginia*. The projections had been made for the VEC by Global Insight using the VEC's monthly preliminary nonfarm employment estimates as a basis. The revisions show a nonagricultural employment average (on a place of work basis) of 3,726,200 in 2006. Nonfarm payroll employment in the U.S. is now estimated to have grown 1.9 percent in 2006 because of very substantial upward benchmark revisions in some very large states (185,000+ jobs in California and 100,000+ jobs in Texas).

Revisions of Virginia figures for the final months of 2005 show a 3,800 lower nonfarm employment average of 3,664,400 for 2005 versus the initially reported 3,668,200 job average at benchmark time one year ago. The decrease was due to more complete data on the weak 2005 holiday sales season. In 2005, Virginia added 80,500 jobs for a 2.2 percent growth rate while the nation had a 1.7 percent rate of job gain.

Industry Growth

(using the North American Industry Classification System [NAICS] instituted nationwide with 2002 benchmarks in 2003)

Virginia's best 2006 individual industry job gain, as usual, was in **professional and business services**, which added 21,300 jobs, or 3.5 percent, to an average of 627,400. This industry continues to generate the most new jobs in Virginia (just over one-third of all jobs created [34.5 percent]), most of which have high-skill requirements and pay a high wage. (The average weekly wage in Virginia for professional and technical service workers was \$1,455 in Second Quarter 2006, the latest quarter for which wage data is available.) The best subsector gainers were computer systems software design, up 7,800, or 7.1 percent; administrative and support services, up 3,500, or 1.7 percent; and professional management of companies, up 1,500, or 2.0 percent.

The second-largest employment increase was in the **total government** category, which grew 12,300 jobs, or 1.9 percent, to a 2006 average job level of 674,200. The biggest subsector gain was in local government, up 7,100, or 2.0 percent, to 367,800 and was mostly in education. (In many jurisdictions

the local school system is the largest single employer.) State government, which also experienced growth at state colleges, was up 3,400, or 2.3 percent, to 152,800. The federal government civilian employment level of 153,600 added 1,800 workers, or 1.2 percent, most of this being defense-related.

Private education and health care

grew by 11,200 jobs, or 2.9 percent, to a 2006 average of 404,700. The largest increases were in the health care field as an affluent aging population needs and demands more and better health services. Physicians' and dentists' private practices, up 5,100, or 4.3 percent; private social assistance, up 2,700, or 6.3 percent; and nursing care facilities, up 1,600, or 2.7 percent, registered the best gains. Employment at private schools and colleges grew 1,200, or 1.5 percent.

In spite of widely fluctuating fuel prices, the **leisure and hospitality** sector in Virginia added 8,700 jobs, or 2.6 percent, to an average employment level of 338,100. The inconvenience of flying and high fuel prices made Virginia attractions popular destinations to travelers from the nearby populous Northeast.





Metropolitan and Small Area Employment Changes

Virginia's ten metropolitan areas had a net nonfarm job gain of 61,300 for a 1.9 percent 2006 average growth rate. The remaining nonmetropolitan rural areas added only 500 jobs, or 0.1 percent, bringing employment in the nonmetropolitan part of the state to 434,500, up slightly from 434,000 in 2005. Generally, the rural areas in the upper part of the state (the rural areas above Interstate 64) added workers while the rural areas below Interstate 64 generally saw some job loss.

The three largest metropolitan areas—Northern Virginia, Virginia Beach-Norfolk-Newport News, Virginia/ North Carolina, and Richmond—saw a combined 47,300 jobs added, or 76.5 percent, of the 2006 statewide job creation. Northern Virginia continued to create the most jobs—30,500—and provided almost half (49.4 percent) of Virginia's 2006 job growth. Three smaller metropolitan areas had very strong job growth rates in 2006. They were: Harrisonburg, up 5.3 percent; Winchester, Virginia/West Virginia, up 5.2 percent; and Charlottesville, up 4.2 percent. In addition to the above three areas, three other metropolitan areas had faster percentage job growth rates than the statewide 1.7 percent rate of gain. They were: Northern Virginia, up 2.4 percent; Lynchburg, up 2.2 percent; and Roanoke, up 2.1 percent. Only the Danville area, which lost a net 2,100 jobs, or 4.8 percent, experienced a reduction.

• **Harrisonburg**—up 5.3 percent, or 3,200, to 64,100. The Harrisonburg area showed up much stronger after benchmark revisions than before. Most of the growth was in the private service-providing industries, up a net 3,300 jobs, or 9.6 percent, publishable of which was a 900, or 7.3 percent, gain in trade/ transportation. Much of this private service-related industry employment base was to provide support for the large James Madison University state government complex. The total

Wholesale and retail trade employment expanded this year by 7,500 jobs, or 1.4 percent, to an average of 543,200. Merchants in most all subsectors added some workers.

Construction employment set records for each month of the year up until the fourth quarter when the declining demand for new homes became apparent. Even with home building trailing off, construction employment in Virginia set a record all-time high employment average for 2006 of 249,400 and saw job growth of 5,800, or 2.4 percent. Very strong commercial construction activities and last-minute preparations for the 2007, 400th anniversary Jamestown celebration kept the building numbers high in 2006.

Finance, insurance, and real estate experienced net gains of 3,200, or 1.7 percent, to an average of 195,700. The increases were all in the various finance and insurance subsectors. Real estate employment averaged 58,600 in 2006, the same as in 2005 with growth in commercial real estate offsetting reductions in the residential side of the industry.

Miscellaneous services added 600 jobs, or 0.3 percent, to a 2006 average of 181,600. All subsectors saw some gains.

Virginia **mines** saw 600 jobs added in 2006 for an employment average of 11,300, which was 5.6 percent above the 2005 average employment level. Fluctuating oil prices were creating a demand for Virginia coal among industrial energy users.

Only three major Virginia employment sectors—information; transportation, warehousing, and utilities; and manufacturing—averaged lower employment levels in 2006 than in 2005.

Information industry employment, at 92,000, was 700, or 0.7 percent, below its 2005 employment average with all of the loss being in the still volatile telecommunications subsector.

Transportation, warehousing, and utilities employment averaged 1,600, or 1.3 percent, lower in 2006 at a level of 119,800. Much of the reduction came from airline contractions early in the year.

Virginia continued to lose **manufacturing** employment with the 2006 reduction of 7,100, or 2.4 percent, being accelerated by textile mill closings all year and reduced demand for vehicle- and housing- related goods in the last half of the year. The factory employment average in 2006 was 288,700, down from 295,800 in 2005. The loss of major textile mills, like Dan River Mills in Danville, plummeted nondurable goods employment 7,300, or 5.8 percent, to a 2006 average of 118,400. Durable goods manufacturing managed to show a small net gain for 2006 of 300, or 0.2 percent, to an average of 170,400. Durable goods orders in the first-half of the year were able to slightly offset the slump in the sales of vehicle- and housing-related items the last-half of the year.

government sector also added a net 200 jobs for a 2.0 percent rate of gain. Manufacturing employment remained negative with a 600, or 5.0 percent loss; and this was the reason for the 300, or 1.8 percent, reduction in the goods-producing combination of mining, construction, and manufacturing.

Publishable private service industry gains were 900, or 8.7 percent, in professional/business services; 400, or 3.9 percent, in leisure/hospitality; and 300, or 2.2 percent, in trade/transportation. The total government sector, which includes the large University of Virginia and University Medical Center state

percent, in finance. Manufacturing added 400 jobs for a 1.4 percent increase. Trade/transportation was negative by 1,300 jobs, or 0.6 percent, because of airline cuts early in the year; and information was down 1,900 jobs, or 3.5 percent, because of telecommunications losses. Northern Virginia is still, in both quality and quantity of the jobs available, one of the very best job markets in the entire world.



• **Winchester, Virginia/West Virginia**—up 5.2 percent, or 2,900, to 55,300. The Winchester area also came out stronger after the latest benchmarking with the private service-providing industries, up a net 2,600, or 7.5 percent, accounting for most of the growth. Publishable in the private service-providing industries was a 500, or 4.2 percent, increase in trade/transportation. Total government employment grew 300, or 4.2 percent. The goods-producing combination of mining, construction, and manufacturing was unchanged at 13,700. The slump in vehicle- and construction-related manufacturing the last-half of 2006 proved not quite as severe as had been shown in the original estimates.

• **Charlottesville**—up 4.2 percent, or 4,000, to 98,900. The Charlottesville area was showing strong growth both before and after the benchmarking. Area nonfarm employment also topped the 100,000 mark for the first time during the final four months of 2006. The best growth was 2,600 jobs, or 4.7 percent, in the private service-providing industries.

government complex, added 900 jobs for a 3.1 percent gain. Much of the service industry growth in this area is to provide support to the dominant University/hospital complex. The goods-producing combination of mining, construction, and manufacturing added 500 jobs for a 4.5 percent rate of gain.

• **Northern Virginia**—up 2.4 percent, or 30,500, to 1,294,200. Northern Virginia continues to provide the most jobs on a numerical basis and in 2006 accounted for almost half (49.4 percent) of all the jobs created in Virginia. The leader in this job creation is the area's professional/business service sector, up 13,700, or 4.3 percent. Northern Virginia professional/business services alone accounts for 22.2 percent of Virginia's job growth. Total government employment in this region was up 5,100, or 2.5 percent. Other good gains were 4,800, or 7.6 percent, in miscellaneous services; 3,900, or 3.5 percent, in private education/health care; 3,300, or 3.6 percent, in construction (even with the home building slump); 1,400, or 1.3 percent, in leisure/hospitality; and 1,000, or 1.5

• **Lynchburg**—up 2.2 percent, or 2,300, to 107,500. All sectors were positive. There was net growth of 1,700 jobs, or 2.2 percent, in the service-providing industries, publishable of which were 200 each in trade/transportation and total government. The goods-producing combination of mining, construction, and manufacturing added 700 jobs for a 2.7 percent net gain. Manufacturing had a publishable 200 increase.

• **Roanoke**—up 2.1 percent, or 3,300, to 162,500. The Roanoke area's best increase was 1,500, or 7.3 percent, in professional/business services. Other gains were 800 in trade/transportation 500 in manufacturing; 400 in private education/health care; and 300 each in leisure/hospitality and total government. There were losses of 400 in miscellaneous services and 200 in finance.

• **Richmond**—up 1.7 percent, or 10,700, to 626,400. The Richmond area job growth rate of 1.7 percent was the same as the statewide rate of job increase. The Richmond area's best job gain was 3,800, or 5.6 percent, in private education/health care as this area more and more becomes an education and health care center for the upper South. Also good were increases of 2,200, or 2.4 percent, in professional/business services; 1,800, or 1.6 percent, in trade/transportation; 1,600, or 3.2 percent, in leisure/hospitality; and 1,200, or 2.7 percent, in construction. There were also additions of 500 in finance, 300 in total government, 200 in information, and 100 in miscellaneous services. There was a reduction of 1,000, or 2.2 percent, in manufacturing.

• Virginia Beach-Norfolk-Newport News, Virginia/North Carolina—up

0.8 percent, or 6,100, to 766,900.

Virginia's second-largest metropolitan area showed less growth with the benchmarks than the preliminary estimates had indicated because of factory and home building losses late in the year. The leisure/hospitality industry had the best gain, up 2,700 jobs, or 3.3 percent, as it prepared for Jamestown 2007. Private education/health care was up 2,100 jobs, or 2.5 percent; trade/transportation grew by 1,000 jobs, or 0.7 percent; and total government added 1,000 jobs, or 0.7 percent. Smaller increases were 700 in finance; 400 in professional/business services; 300 in information; and 200 in construction. There were losses of 700 in miscellaneous services and 1,700, or 2.8 percent, in manufacturing because of reduced vehicle production.

• Blacksburg-Christiansburg-Radford—up

0.6 percent, or 400, to 71,700. The increase was a net 700 gain in the service-providing industries, publishable of which was a 400 addition in total government that includes the Virginia Tech/Radford University complex. In the goods-producing combination of mining, construction, and manufacturing, there was a 300 net reduction caused by factory cutbacks late in the year in the vehicle- and housing-related industries.

• **Danville**—down 4.8 percent, or 2,100, to 41,300. Danville had the only reduction in its average nonfarm employment base among Virginia's ten metropolitan areas, because of a 2,300, or 19.2 percent, drop in its net goods-producing employment caused by a 2,200, or 22.2 percent, loss in manufacturing, due largely to textile mill closings. There was a slight 200 net gain in the service-providing industries, but there was no change in either of the publishable sectors of trade/transportation and total government.

Note: Because of nonreportability due to disclosures and inadequate sample sizes and rounding to the nearest 100, subsectors often do not add to totals.

Unemployment

Unemployment in Virginia after the annual benchmarking averaged 3.0 percent for 2006, even better than the 3.1 percent initially reported in the preliminary estimates in January 2007. The 3.0 percent Virginia average 2006 unemployment rate was 0.5 percentage point below the 3.5 percent average unemployment rate for 2005 and was the lowest average rate in six years, since the 2.3 percent average in 2000. The 2.3 percent Virginia average unemployment rate in 2000 was the best annual average rate ever recorded in Virginia since figures have been kept, starting in 1950. The 2006 Virginia 3.0 percent average unemployment rate has only been bettered nine times in the 57 years since records have been kept. They were: 2.6 percent in 1952; 2.7 percent in 1953; 2.7 percent in 1966; 2.8 percent in 1967; 2.7 percent in 1968; 2.7 percent in 1969; 2.8 percent in 1998; 2.7 percent in 1999; and 2.3 percent in 2000.

The 2006 Virginia average unemployment rate was well below the 2006 U.S. average unemployment rate of 4.6 percent. In 2006, the number of unemployed workers in Virginia averaged 119,600—16,800 below the 2005 average of 136,400. The state's civilian labor force averaged just shy of 4,000,000 at 3,998,600 in 2006—76,600 more individuals than the 2005 civilian labor force average of 3,922,000.

According to the Bureau of Labor Statistics of the U.S. Department of Labor, Virginia, with a 3.0 percent unemployment rate average, had the third-lowest jobless rate average in the U.S. in 2006. Hawaii had the lowest unemployment rate average at 2.4 percent. Utah was second-lowest with a 2.9 percent rate average. Virginia was second-lowest in the continental U.S. and was the lowest of the 13 largest states with Florida's 3.3 percent jobless rate average being second-best among the large states.

Forecast

*Note: With the VEC's projected nonfarm employment figures published in January 2007 in the **Economic Assumptions** being right on target with the benchmarks (only off by 800 in the 3.7 million Virginia nonagricultural employment base), the 2007 and 2008 Forecasts, though reviewed for this **Indicators** issue, are virtually unchanged from what appeared in the **Economic Assumptions**.*

The Virginia economy, like the national economy, is expected to see slower growth in 2007, but the slowdown should be less pronounced in Virginia than in the nation. Job growth in Virginia is expected to once again outpace the nation for most of the forecast period. All the 400th anniversary Jamestown celebration activities should bring many additional visitors to the Old Dominion, temporarily boosting employment in the leisure and hospitality and trade and transportation industries. The services sector led by the ever-strong professional and business services will continue to be the real driver of job growth. Defense and homeland security spending should continue to undergird Virginia's business and professional services even if the Iraq war activities should wind down. High energy prices, expanding debt burdens, and the slowdown in housing represent significant risks to consumer spending, but expectations are that consumer fundamentals will remain healthy. Strong population growth and low business costs should continue to boost Virginia's economic performance. The on-going commercial building activities should almost make up for job losses in the housing-related part of the construction industry. The information industry is expected to again achieve positive employment by 2008. Only manufacturing is projected to see a trickle of job loss for the forecast period. Virginia's unemployment rate is expected to hold at the present low-3 percent level, or perhaps rise a tenth of a percentage point, or so, because of all the people attracted to Virginia by the robust, solid employment growth and the very low unemployment rate. Virginia is expected to continue to be among the very lowest states in unemployment with

only Hawaii and a few small population Rocky Mountain states sometimes being as low, or lower.

Nonagricultural employment* in Virginia is expected to slow slightly from the 61,800, or 1.7 percent, 2006 rate of gain to grow by 43,300 jobs, or 1.2 percent, to 3,769,500 in 2007. After that, the pace will quicken again with nonfarm employment up 53,300 jobs, or 1.4 percent, to 3,822,800 in 2008.

**Note: Detail may not add to totals due to rounding.*

Professional and business services continues to be the mainstay of economic growth in Virginia, adding 16,300 jobs, or 2.6 percent, to 643,700 in 2007 and 22,100 jobs, or 3.4 percent, to 665,800 in 2008. Virginia established a fundamental base of technological know-how, specialized physical structures, and human skills over the past two decades that should give its professional and business services employers a real jump on the rest of the nation. Architectural and engineering firms are busy on new projects, especially in redeveloped downtown areas, and computer programming consultants are preparing the next wave of software packages. As always, contracting with the federal government is a significant portion of Virginia consulting firms' work. Temporary employment services will be supplying workers for special and temporary needs. This will be especially true during the Jamestown festivities. Providing highly trained specialty field temporary service professionals to meet many and varying demands is now a big part of this industry. Human resource professionals claim professional and business services in Virginia could expand even faster than it is already doing, if more highly skilled and qualified workers could be found. Virginia should attract in many professionals from other states.

Private education and health care services will add 9,800 jobs, or 2.4 percent, to 414,500 in 2007 and 7,300 jobs, or 1.8 percent, to 421,800 in

2008. Health care, social services, and nursing facilities will expand to meet the needs of an affluent, aging population. Advances in technology today cause the public to expect and demand so much more in the way of health services. These demands will expand even more as health insurance coverage grows. Private education will be expanding gradually with the growing population. The major health care and education facilities located in centers throughout the state use the latest equipment and technologies to serve not only the Old Dominion, but a big portion of the upper South.

The **leisure and hospitality industry** is expected to grow by 7,500 jobs, or 2.2 percent, to 345,600 in 2007 with all the Jamestown-related activities and then add 5,700 jobs, or 1.7 percent, to 351,300 in 2008. This year marks the 400th anniversary of the first permanent English settlement in the new world at Jamestown, Virginia, in 1607. Many Virginia attractions have been preparing for a couple of years for the events marking the occasion and the large number of travelers that will be visiting Virginia at this time. High gasoline prices will be a concern, but with the nearby population centers of the Northeast and Midwest, Virginia should receive many visitors. The Virginia travel business is expected to remain good in the years after the Jamestown festivities.

Total government employment should gain 6,300 jobs, or 0.9 percent, to 680,500 in 2007 and 5,400 jobs, or 0.8 percent, to 685,900 in 2008. Federal government employment is expected to be off slightly by 300 jobs because of budget restraints in 2007 and be unchanged at 153,300 in 2008. There may be some winding down in Iraq war activities by late in the forecast period. Also, some Base Closure and Realignment Commission (BRAC) recommendations may come into play very late in the forecast period and may cause a reshuffling of some Virginia federal personnel. Generally, the BRAC recommendations cause some federal payroll reductions in Hampton

Roads and Northern Virginia (although much of this is a shifting to different facilities), but big gains in the Richmond area. Combined state government employment is expected to increase 2,200 jobs in 2007 and 1,300 jobs in 2008. Employment is also expected to expand at growing state institutions of higher learning, and some other state government agencies will have to add personnel to serve the needs of a growing population. Local governments should add 4,400 jobs in 2007 and 4,000 jobs in 2008. Most of this increase will be in local public education to meet an expanding school population.

Trade employment is expected to expand 4,000 jobs, or 0.7 percent, to 547,200 in 2007 and 10,700 jobs, or 2.0 percent, to 557,900 in 2008. Consumer spending will slow with the economy in 2007, but Jamestown-related sales will help in tourist areas. Sales in non-tourist areas should rebound in 2008. Merchants will be expanding to serve a growing population, but they will be using all the labor-saving and cost-cutting measures possible in order to stay competitive. Discount and big box retailers will grow, but there will also be the need for specialty and niche marketers.

Finance, insurance, and real estate is projected to add 2,300 jobs, or 1.2 percent, to 198,000 in 2007 and 2,500 jobs, or 1.3 percent, to 200,500 in 2008. Banks, insurance companies, and stock brokers will need to expand to meet the demands of a growing market. Mortgage companies are seeing much less refinancing activity now that housing sales have slowed. In Northern Virginia, some recent transfers to the region have had to back out of condominium contracts because they cannot sell their previous housing in other areas. Housing prices in the formerly frothy Northern Virginia market have fallen 5 to 6 percent, and prices in the Richmond and Hampton Roads areas have leveled off. Existing home sales volume is down 24 percent in Virginia as sellers postpone sales until market conditions improve. The residential real estate market will be

going through a period of adjustment in the forecast period. The commercial real estate market, however, appears to remain strong.

Other, or miscellaneous, services should grow by 2,900 jobs, or 1.6 percent, to 184,500 in 2007 and 1,000 jobs, or 0.5 percent, to 185,500 in 2008. These traditional service providers, like barber shops, beauty parlors, and other personal services, repair shops, and nonprofit and charity organizations (subgroups that originally made up services under the SIC codes) should prosper with an expanding economy. Charities should see slightly better donations with rising incomes.

Natural resources and mining should expand 200 jobs to 11,500 in 2007 and remain about the same level in 2008. This industry is expected to follow energy markets. On the plus side, utilities use more coal when oil prices are high and the mines are having to recruit replacements for an aging workforce. On the down side, Virginia coal seams are becoming more difficult to extract economically.

Transportation, warehousing, and utilities is expected to lose 400 jobs to 119,400 in 2007, due to less merchandise being shipped during 2007's "soft economic landing"; then add 900 jobs to 120,300 in 2008. Rail, trucking, and shipping lines should expand and contract with the economy. The airlines are still a mixed picture. The cut-rate carriers tend to have growth spurts, while the traditional carriers are still dealing with changing markets, bankruptcies, and mergers. Overall, the airlines seem to be doing a little better now. Fluctuating fuel costs are a concern to all subsectors of the transportation and utilities industry.

The **information industry** is expected to lose 900 jobs, or 1.0 percent, to 91,100 in 2007 and then add 100 jobs to 91,200 in 2008. Losses result from competition and weeding out in telecommunications, especially cell phones, and code changes with some firms seeming to find their way out of information into professional and business services. Anyway, this sector appears more stable after 2007.

Construction employment is expected to be down by a net 4,500 jobs, or 1.8 percent, to 244,900 in 2007 because of the slump in residential construction and the completion of all the Jamestown-related building activities. After that, construction employment is expected to resume growth, adding 200 jobs to 245,100 in 2008. Some BRAC-related construction will be starting by 2009.

Manufacturing is the only major Virginia industry group that is expected to see slight net employment losses throughout the forecast period, being down 200 jobs, or 0.1 percent, to 288,500 in 2007 and 2,700 jobs, or 0.9 percent, to 285,800 in 2008. The loss in durable goods will come from the closing of the Norfolk Ford assembly plant in 2007 and a plateauing of defense-related shipbuilding. Also, the furniture industry will be going through a period of adjustment. Nondurables will continue to see textile mills and apparel plants close, or move offshore.



Labor force data

(Place of residence)

The **unemployment level** will be boosted by new workers attracted to the job opportunities in Virginia, who will slightly swell the ranks of the unemployed while they are conducting their job search even though they should quickly find work. The number of unemployed should rise 7,400 to 127,000 in 2007 and 600 to 127,600 in 2008. The **unemployment rate** is expected to average 3.1 percent in both 2007 and 2008. Really not all that much change is expected in joblessness. The Virginia unemployment rate should keep its historic relationship of being only 65 to 75 percent of the national jobless rate. It also should remain well below the 5.0 percent level considered to be "full employment."

Regional forecasts

- ◆ **Northern Virginia** continues as Virginia's job growth leader as it has been for the past three decades. Gains of about 29,000 jobs, or 2.2 percent, in 2007 and 35,000 jobs, or 2.5 percent, in 2008 are expected. Northern Virginia should continue to account for from three-fifths to two-thirds of the job growth in the entire state. Paramount in this growth leadership will be the high-tech, high-wage professional and business services, which in this region should continue to produce 15,000 to 20,000 new jobs per year. Construction employment may see less growth in 2007 as the residential market readjusts, but by 2009 construction of facilities to move all the defense personnel now housed in rental space onto military bases as required by the BRAC recommendations will be started. Commercial construction is expected to remain strong and take up much of the residential slack. The vacated rental spaces

will mean more office space will be available to meet the demands of growing private-sector tenants. The telecoms now appear about to turn the corner and shortly will be expanding, although there will continue to be much competition and reshuffling in this industry. Both the professional and business services and the telecoms still will be doing much contracting with the federal government, which itself will see slight expansion, especially in the homeland security and defense areas. Northern Virginia tourism interests should benefit from travelers to Jamestown passing through the area. Financial services, health care, and retail trade will be expanding to meet the needs of a growing high-income population. Another significant terrorist attack on the nation's capital would impact this area.

The Northern Virginia **unemployment** rate is expected to be in the low 2 percent range with new people coming to this booming area to seek work, keeping it from dropping even lower. In both quality and quantity of jobs, Northern Virginia should continue to be one of the best job markets in the world. The two concerns in this booming job market are not enough trained workers and traffic gridlock.

- ◆ The **Virginia Beach-Norfolk-Newport News, Virginia/North Carolina** area should see nonfarm employment growth of about 9,000 jobs, or 1.1 percent, in 2007 and 11,000 jobs, or 1.4 percent, in 2008. The important local tourism economy should get a temporary big boost from all the Jamestown-related activities in 2007, but the Norfolk Ford plant is expected to be completely closed by third quarter, 2007. Jobs at some Ford suppliers will also be lost. The area benefits from supplying the war

efforts, but a return of the troops would boost local retail activities. An end to the Iraq war may mean some cuts at defense contractors; and, farther out, if the BRAC recommendations come to pass, both the Peninsula and Southside Hampton Roads could see defense reductions.

Unemployment in the region should remain in the upper 3 percent range even with the Ford closing, "after Jamestown" cutbacks, and perpetual turnover in military dependants. The Ford closing itself should not create much additional unemployment for the area because three-quarters of the Ford plant workers are supposed to be taking the early retirement buyouts offered, and some of the remaining workers are transferring to other Ford plants. Layoffs at Ford suppliers, however, will likely cause some jobless claims in 2007. The temporary workers hired to man all the extra Jamestown jobs should be students, or transient workers, who, after temporarily giving a boost to the local economy in 2007, will either leave the labor force, or move on elsewhere after the celebration is over. Traffic congestion remains a problem for this area, especially around the tunnels.

- ◆ The **Richmond** area should see job gains of 10,000, or 1.6 percent, in both 2007 and 2008. Private education and health care, professional and business services, and finance should lead employment growth. State and local government should do limited staffing, especially in public education and transportation. This area should also benefit from Jamestown-related activities in 2007. Downtown and riverfront development projects and expansion of the bio-tech park should continue as well as more

shopping center development in suburban areas. Recent arrivals to the area from Mead Westvaco and Phillip Morris should add to the employment base. By the end of

smaller job markets in the entire nation.

- ◆ The **Roanoke** area should see slow, but steady, job growth in

range. Preventing the rate from being even lower are possible jobless claims from the motor vehicle- and housing-related industries, both in the area and in nearby West Virginia where some Winchester residents work.

- ◆ The **Harrisonburg** area should see 3 percent plus job growth led by the large James Madison University complex and the support industries that go along with it and announced expansions in chemicals and printing.

The **unemployment** rate in the Harrisonburg area has been extremely low in 2006 and that trend should continue with just over 2 percent unemployment making Harrisonburg one of the best small areas for unemployment in the nation.

- ◆ The **Blacksburg Christiansburg-Radford** area should continue to see good job growth in its combination of Virginia Tech, Radford University, and the technology complex in Montgomery County that goes along with the colleges. Pulaski County's motor vehicle-related manufacturers have recently had cutbacks.

The area **unemployment** rate may move back into the 3 to 4 percent range because of the recent factory furloughs.

- ◆ The **Danville** area continued to lose old-line textile and apparel employment throughout 2006. Hopefully, the worst of these losses are now behind the area, and a pattern similar to the Martinsville area the last two years will emerge with employment turning from negative to positive as the layoffs fade into the past. New employers have recently been announced, including the IKEA furniture plant, and nonmanufacturing has been



the forecast period, the start-up of the BRAC recommendations to more than double the size of Fort Lee will mean much development for the Petersburg portion of the area.

The **unemployment** rate should be in the low 3 percent range.

- ◆ The **Charlottesville** area should continue to see strong growth. Job expansion should be 3 percent annually, or better; and Charlottesville may supplant Lynchburg as Virginia's fifth-largest metropolitan area by the end of the forecast period. This growth will be driven, as usual, by the large University of Virginia and the University Medical Center and their support industries, but professional and business services, private education and health care, trade and transportation, and leisure and hospitality should all be strong.

The **unemployment** rate should be low-2 percent, keeping Charlottesville one of the very best

the 1 to 1.5 percent range with Roanoke's mainstays of trade and transportation, professional and business services, and private education and health care providing the most jobs. Factory employment should hold its own.

The **unemployment** rate should be in the upper 2 percent range.

- ◆ The **Lynchburg** area should see about 2 percent job growth, led, as usual, by the private colleges and their support industries. Professional and business services should prosper, and manufacturing is expected to remain positive.

The **unemployment** rate should be right around 3 percent.

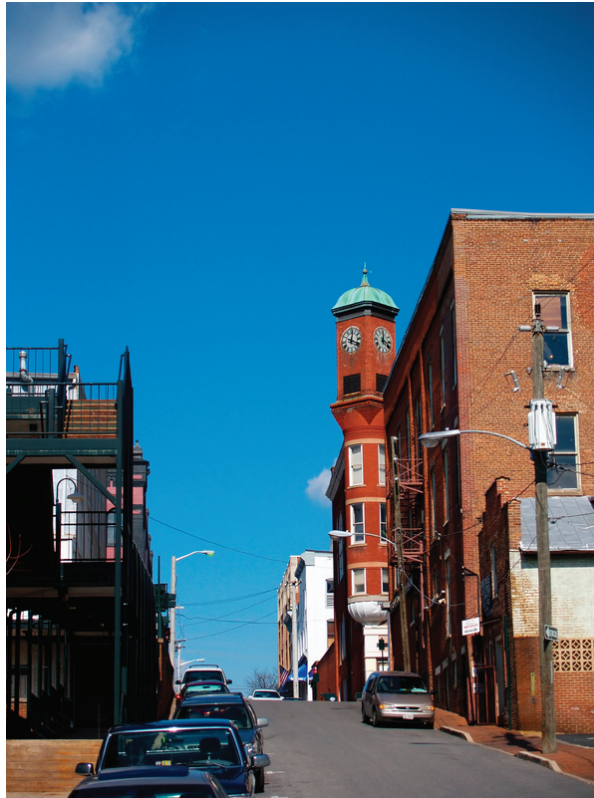
- ◆ The **Winchester Virginia/West Virginia** area should see 3 percent plus job growth with continuing influence from its large and prosperous neighbor to the east, Northern Virginia.

The **unemployment** rate should be in the mid-to-upper 2 percent

showing a slight growth trend all along.

Hopefully, **unemployment** will gradually recede from the current 7-8 percent range.

The nonmetropolitan **Balance of the State** should continue to present a diversified and mixed picture. Generally, the more services-oriented upper half of the state should see more job growth and do better than the lower half factory-oriented part. Job growth trends should improve, however, in the lower half of the **Balance of State** by late in the forecast period. The **Shenandoah Valley, eastern slopes of the Blue Ridge Mountains, Middle Peninsula, Northern Neck, and Eastern Shore** should generally see low unemployment rates aside from historic seasonal patterns in the Northern Neck and Eastern Shore. Even these seasonal patterns are less pronounced now than they used to be as more year-round industries move in. The large and prosperous Northern Virginia metropolitan area now exerts some influence over the entire upper



part of Virginia. The **Middle Peninsula and Northern Neck** could see good job growth as their economies become more service-oriented like their urban neighbors. The **Staunton-Waynesboro** and **Culpeper** micropolitan areas should continue to thrive with mid-2 percent unemployment. The **Allegheny-Covington** highlands recently have weathered some vehicle-related factory

layoffs. Far **Southwest** Virginia should see unemployment in the 3 to 5 percent range with new industries moving into some coalfield areas and the mines doing some replacement hiring. The **Emporia-Greenville** area is gradually recovering from previous plant closings with state institution employment providing a solid base for the local economy. The **western Southside** and **Piedmont** communities along the North Carolina border that have suffered much from mill and plant closings should see gradual improvement as economic developers valiantly try to bring in new niche employers, but this region likely will have the state's highest unemployment during much of the forecast period. The **Martinsville** micropolitan area and **Patrick County** are already seeing much improvement. The **Galax**, and **South Boston** areas have recently weathered manufacturing layoffs like the Danville metropolitan area; and now, hopefully, all these areas will begin to see improvement with new employers moving in.





Employment in Nonagricultural Industries in Virginia

Annual Averages* Revised to 2006 Benchmarks in February 2007 (using NAICS categories)

Industry	2006 Average	2005 Average	Change	
			Number	Percent
Total Nonagricultural	3,726,200	3,664,400	+61,800	+1.7
Mining	11,300	10,700	+600	+5.6
Construction	249,400	243,600	+5,800	+2.4
Manufacturing	288,700	295,800	-7,100	-2.4
Durable Goods	170,400	170,100	+300	+0.2
Transportation Equipment	39,600	40,900	-1,300	-3.2
Ship and Boat Builders	21,900	21,800	+100	+0.5
Nondurable Goods	118,400	125,700	-7,300	-5.8
Trade	543,200	535,700	+7,500	+1.4
Wholesale Trade	119,500	117,200	+2,300	+2.0
Retail Trade	423,700	418,500	+5,200	+1.2
Transportation, Warehousing, and Utilities	119,800	121,400	-1,600	-1.3
Information	92,000	92,700	-700	-0.7
Telecommunications	35,000	35,800	-800	-2.2
Finance, Insurance, and Real Estate	195,700	192,500	+3,200	+1.7
Professional and Business Services	627,400	606,100	+21,300	+3.5
Private Education and Health Care	404,700	393,500	+11,200	+2.9
Private Schools and Colleges	79,500	78,300	+1,200	+1.5
Health Care and Social Services	325,200	315,200	+10,000	+3.2
Leisure and Hospitality Services	338,100	329,400	+8,700	+2.6
Accommodations	48,500	47,400	+1,100	+2.3
Food Services	244,600	237,800	+6,800	+2.9
Miscellaneous Services	181,600	181,000	+600	+0.3
Total Government	674,200	661,900	+12,300	+1.9
Federal	153,600	151,800	+1,800	+1.2
State	152,800	149,400	+3,400	+2.3
Local	367,800	360,700	+7,100	+2.0

*Some totals may not add due to rounding to the nearest one hundred.



METROPOLITAN AREAS

	2006 Average Employment	2005 Average Employment	Change	
			Number	Percent
Blacksburg-Christiansburg-Radford	71,700	71,300	+400	+0.6
Charlottesville	98,900	94,900	+4,000	+4.2
Danville	41,300	43,400	-2,100	-4.8
Harrisonburg	64,100	60,900	+3,200	+5.3
Lynchburg	107,500	105,200	+2,300	+2.2
Northern Virginia	1,294,200	1,263,700	+30,500	+2.4
Richmond	626,400	615,700	+10,700	+1.7
Roanoke	162,500	159,200	+3,300	+2.1
Virginia Beach-Norfolk-Newport News, Virginia/North Carolina	766,900	760,800	+6,100	+0.8
Winchester, Virginia/West Virginia	58,200	55,300	+2,900	+5.2
Total for Ten Metropolitan Areas	3,291,700	3,230,400	+61,300	+1.9
Remaining Rural Area Totals	434,500	434,000	+500	+0.1
Total for State	3,726,200	3,664,400	+61,800	+1.7



Historical Summary

Performance of Indicators Over the Business Cycle

For those interested in studying the business cycle in Virginia, this publication includes several of the economic time series for which data is readily available on a monthly basis. From time to time, new series will be added and, if necessary, others presently included will be discontinued.

Business Cycle Turning Points

The beginning of a recession is defined as the month when aggregate economic activity in the U.S. reaches a cyclical high, from which it begins to turn down, and the end as the month when it reaches a cyclical low, from which it begins to turn up. On November 26, 2001, the National Bureau of Economic Research (NBER) announced a recession had begun in March 2001. On July 17, 2003, NBER announced the recession ended in November 2001.

Seasonal Adjustment

To correlate changes in a time series and changes in the business cycle, it is desirable to eliminate, insofar as possible, the effect of irrelevant factors from the data comprising the series. All series currently published in the *Virginia Economic Indicators* have been adjusted to minimize regular seasonal fluctuations in the data in order to show only activity related to the business cycle.

Historical Graphs

Historical graphs are published in the back of the fourth quarter issue for each year.

Data Sources

U.S. Census Bureau:

Single Family Housing Permits

Virginia Department of Motor Vehicles:

New Vehicle Registrations

Virginia Department of Taxation:

Deflated Taxable Retail Sales

Taxable Retail Sales

Virginia Employment Commission:

Average Hourly Earnings

Average Weekly Earnings

Average Weekly Hours

Average Weekly Initial Claims

Deflated Average Hourly Earnings

Deflated Average Weekly Earnings

Insured Unemployment Rate

Manufacturing Employment

Nonagricultural Wage
and Salary Employment

Total Production Hours

Total Unemployment Rate

Unemployment Insurance Final Payments

Virginia State Corporation Commission:

New Business Incorporations



Historical Graphs

MONTHS OF CYCLICAL DOMINANCE (MCD)

After seasonal adjustment, there often remains a significant degree of purely random change—the effect of which can be minimized with a moving average equal in length to the MCD of the series. The MCD is an estimate of the length of the moving average which will reveal the cyclical pattern among the welter of random fluctuations in the data—the greater the MCD the more random and less cyclically significant are monthly changes in the series. Charts of historical data in this publication represent seasonally adjusted figures which have been averaged according to the MCD of each series.

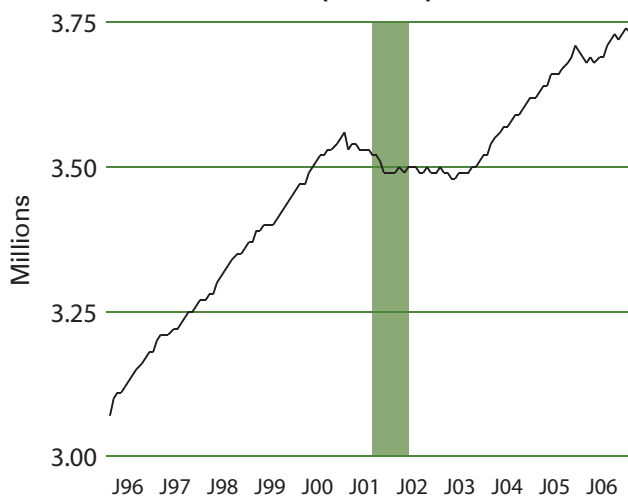
Notes:

[†] Starting with January 2001 data, manufacturing series are estimated using the NAICS codes instead of the old SIC codes. The most important change is that publishers, primarily newspapers, are no longer included in manufacturing, but are part of the new information sector.

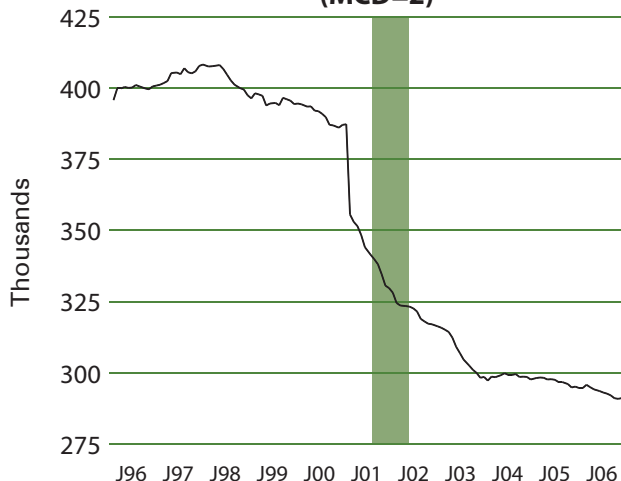
[⌘] Beginning with the January 2005 data, building permit data reflect an increase in the universe of permit-issuing places.

The shaded area on the graphs represents the Mar.-Nov. 2001 recession.

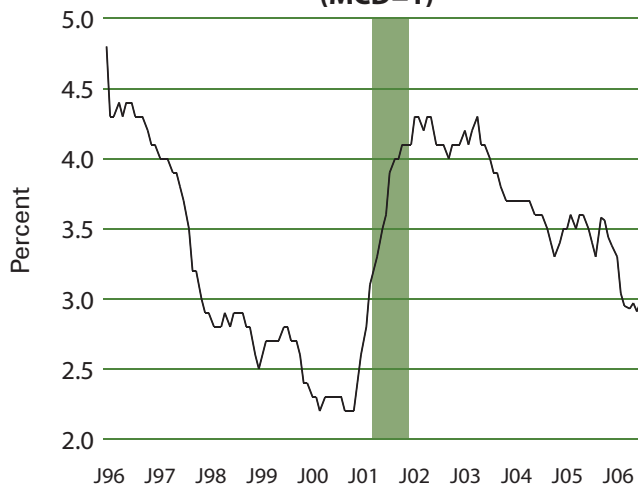
Nonagricultural Wage & Salary Employment* (MCD=1)



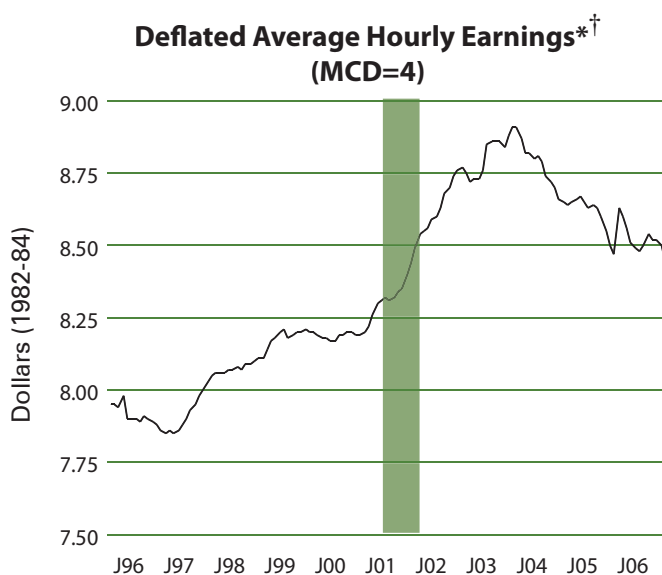
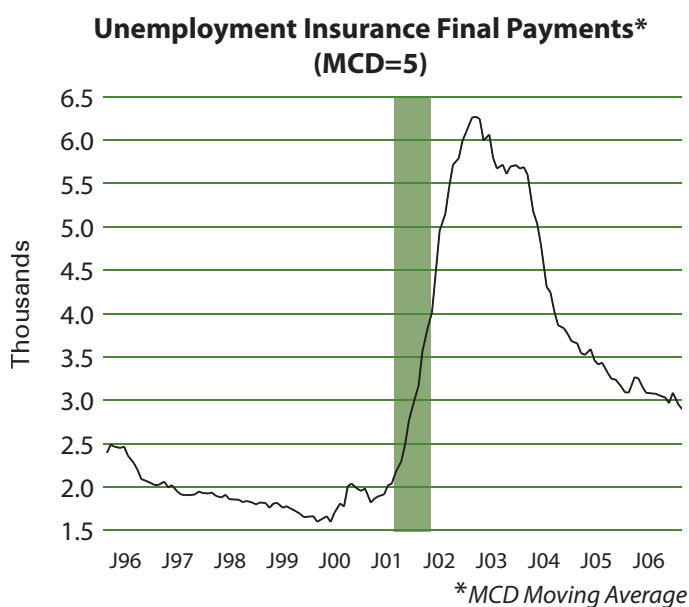
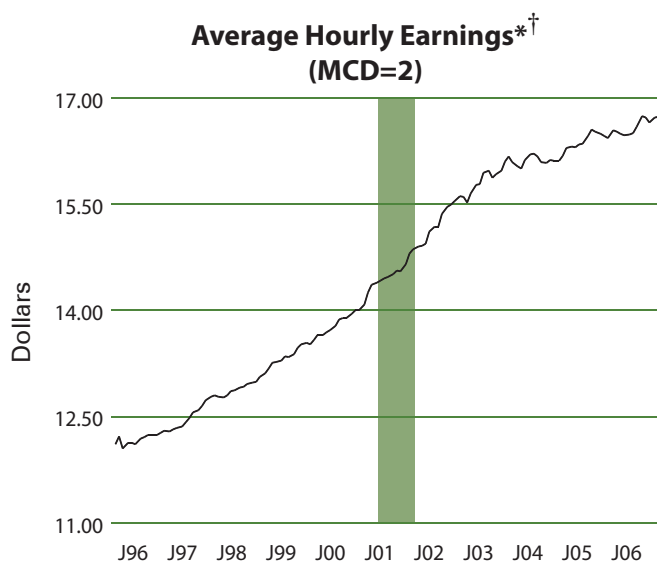
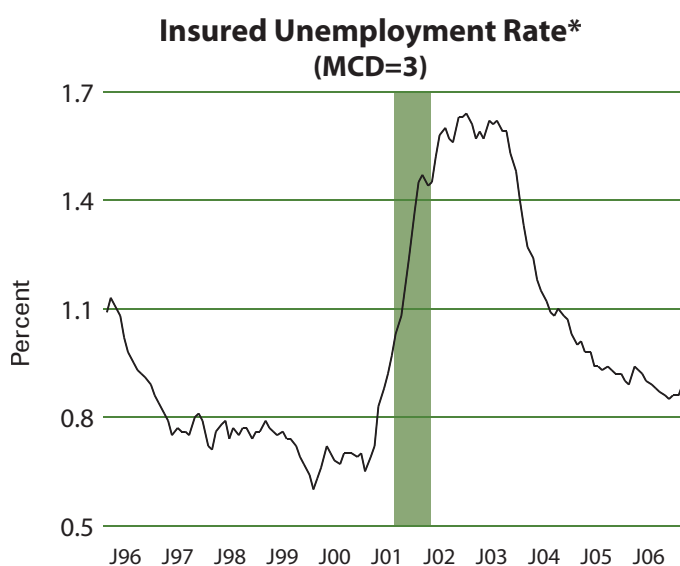
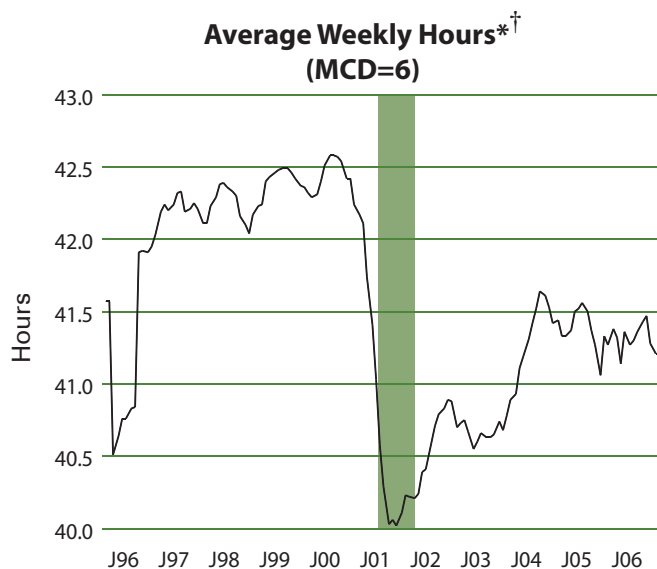
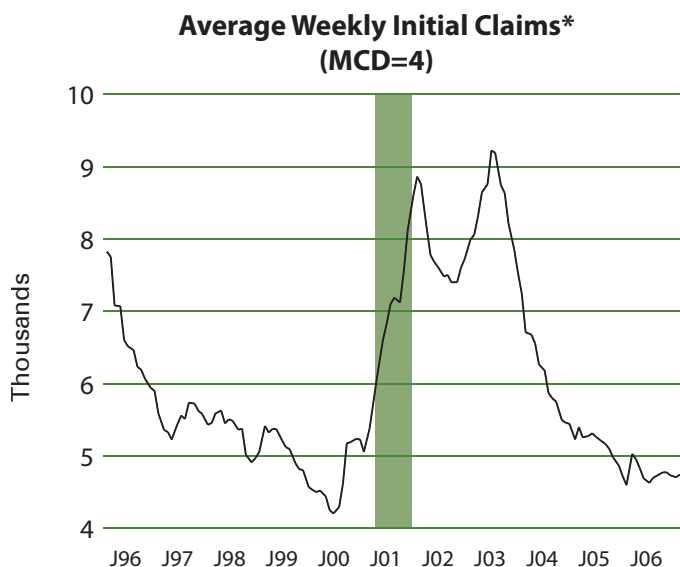
Manufacturing Employment*[†] (MCD=2)



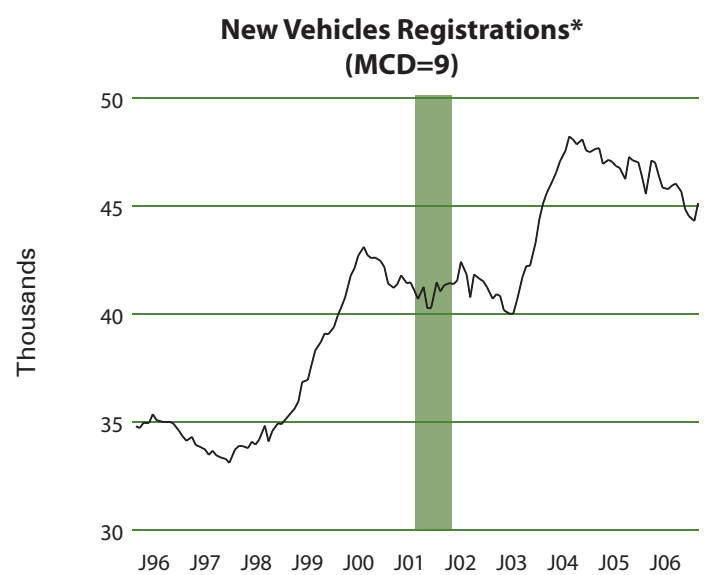
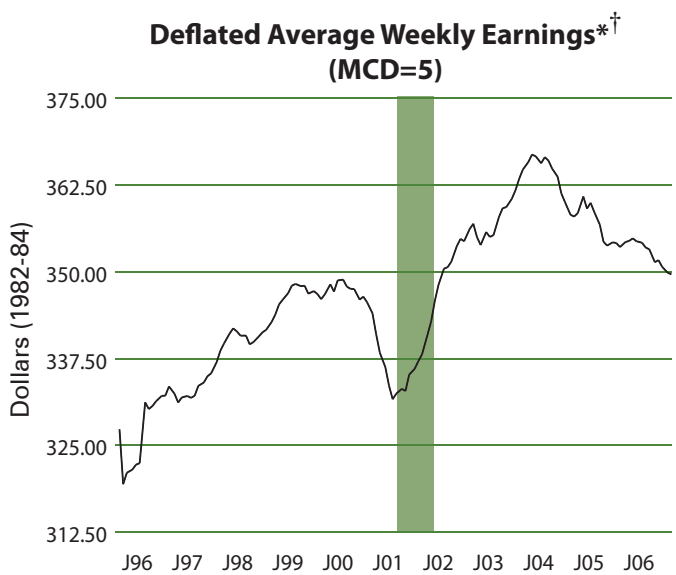
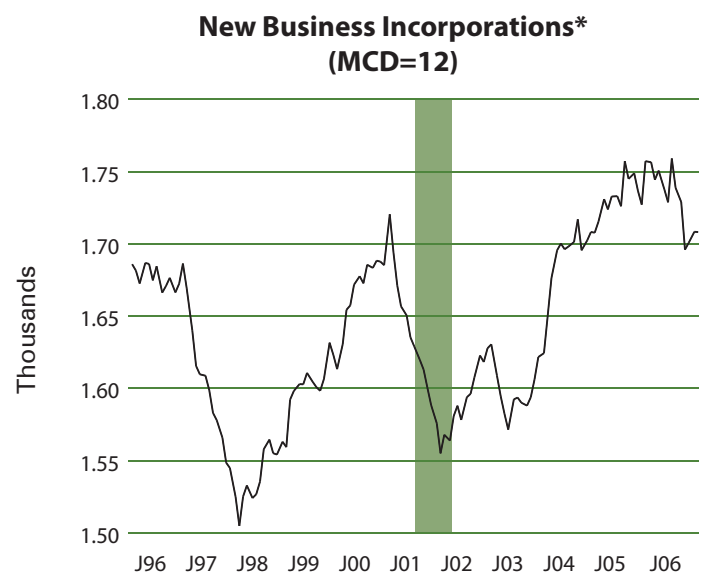
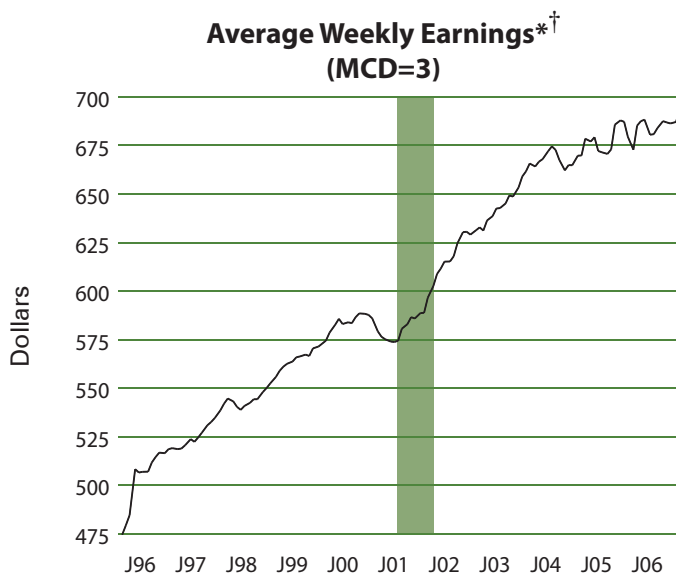
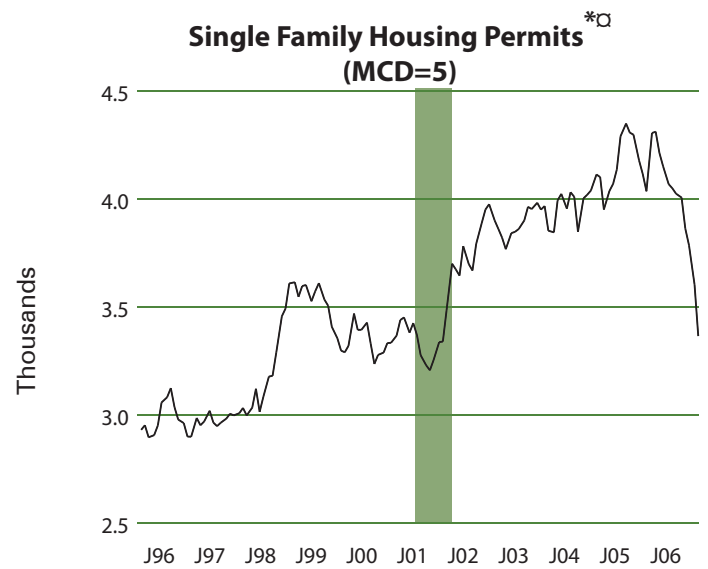
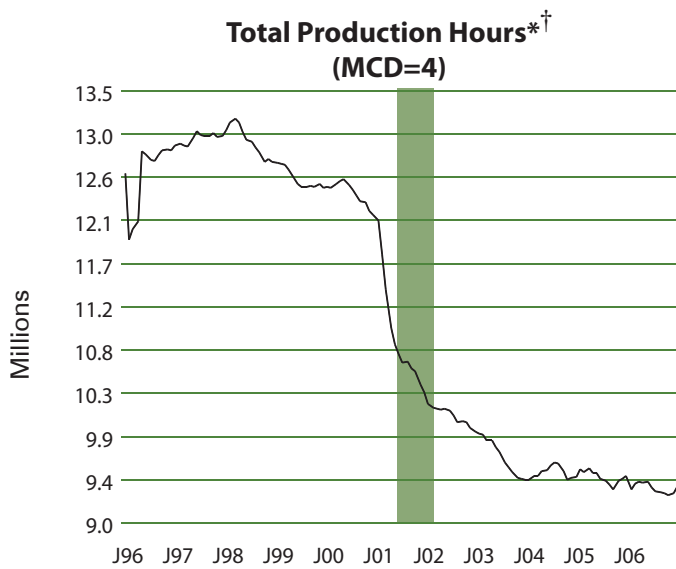
Total Unemployment Rate* (MCD=1)



*MCD Moving Average



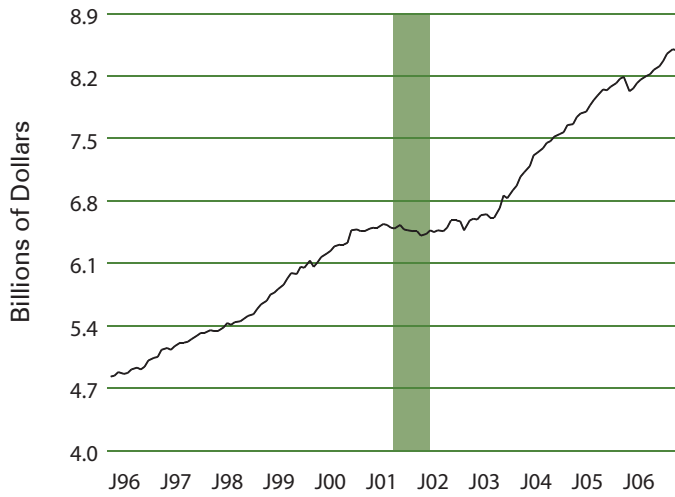
† See note on page 29.



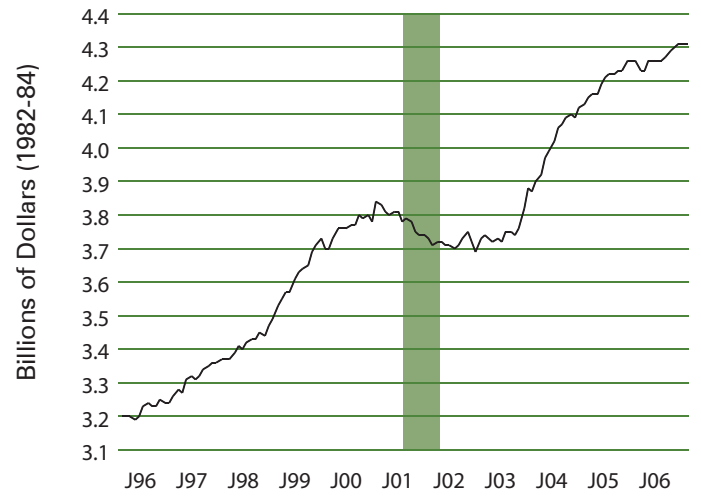
*MCD Moving Average

^{†□} See notes on page 29.

Taxable Retail Sales*
(MCD=9)



Deflated Taxable Retail Sales*
(MCD=12)



*MCD Moving Average



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